APPEARANCES

BOARD MEMBERS

Mr. John Garamendi, Lieutenant Governor, Chairperson

Mr. John Chiang, State Controller, also represented by
Ms. Cindy Aronberg and
Ms. Marcy Jo Mandel

Mr. Michael Genest, Director of Finance, represented by
Mr. Tom Sheehy

STAFF

Mr. Paul Thayer, Executive Officer

Mr. Curtis Fossum, Chief Counsel

Mr. Mario De Bernardo, Legislative Liaison

Ms. Kimberly Lunetta, Executive Assistant

Mr. Greg Scott, Assistant Chief, Mineral Resources
Management Division

Ms. Nancy Smith, Land Management Division

ATTORNEY GENERAL'S OFFICE

Mr. Alan Hager, Deputy Attorney General

Mr. Joe Rusconi, Deputy Attorney General

ALSO PRESENT

Mr. Bruce Allen, SOS California

Ms. Lupe Alvarez, Mayor, City of Guadalupe

Mr. Dough Anthony, Santa Barbara County Energy Division

Ms. Ellen Aronson, Minerals Management Service

Mr. John Bagdasarian
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Tom Becker, Asset Equipment Sales
Ms. Vera Bensen, Carpinteria Valley Association
Mr. Bruce Beyaert, Trails for Richmond Action Committee
Ms. Mary Ellen Brooks
Mr. Bill Brown, Santa Barbara County Sheriff
Mr. Andy Caldwell, Coalition of Labor, Agriculture and Business
Mr. Salud Carbajal, Santa Barbara County Supervisor
Mr. James Childress, Santa Barbara Group Sierra Club
Mr. Jerry Connor, Sierra Club
Mr. Chris Corbett, Santa Barbara Deputy Sheriffs Association
Mr. Dave Davis, Community Environmental Council
Mr. Frank Drouillard
Mr. Charlie Eckberg, Get Oil Out
Ms. Hannah Eckberg, Get Oil Out
Mr. Jack Eidt, Wild Heritage Planners
Ms. Penny Elia
Ms. Christine Fancher
Ms. Doreen Farr, Santa Barbara County Supervisor
Mr. Jim Flores, Plains Exploration & Production Company
Ms. Judy Fogel
Mr. Daniel Foster, DIVECON
Ms. Carla Frisk, Santa Inez Valley Alliance
APPEARANCES CONTINUED

ALSO PRESENT

Mr. John Gauthier, DIVECON
Ms. Debra Geiler, The Trust for Public Land
Ms. Elihu Gevirtz
Ms. Thomas Gibbons
Mr. Walt Gill, Chevron
Mr. Walt Hamilton, Service Employees International Union Local 620
Mr. Pat Healy, Malibu Coalition for Slow Growth
Mr. Rob Heckman, Santa Barbara County Firefighters Association
Ms. Jean Holmes, League of Women Voters
Mr. Grant House, Santa Barbara City Councilmember
Ms. Joyce Howerton
Ms. Linda Krop, Environmental Defense Center, Get Oil Out!, Citizens Planning Association
Mr. David Landecker, Environmental Defense Center
Mr. Tim Larson
Ms. Sandy Lejeune, Surfrider Foundation, Santa Barbara Chapter
Mr. Bill Lindsay, City of Richmond
Mr. Mike Lunsford, Gaviota Coast Conservancy
Ms. Charlotte Masarik
Mr. Steve Mathieu, AGP Video
Mr. Andy Mills, Hollister Ranch
Ms. Carol Nash
APPEARANCES CONTINUED

ALSO PRESENT

Ms. Remy O'Neil

Mr. Roy Pérez, California Hispanic Chambers of Commerce

Mr. Bill Pinkham, East Bay Bicycle Coalition

Mr. John Abraham Powell, Get Oil Out

Mr. Robert Raburn, Easy Bay Bicycle Coalition

Mr. Aaron Read, Police Officers Research Association of California, California Department of Forestry Firefighters

Ms. Selma Rubin, Santa Barbara County League of Conservation Voters

Mr. Steve Rusch, Plains Exploration & Production Company

Mr. Jonathan Saur, Congresswoman Lois Capps' Office

Mr. Trevor Smith, Sierra Club, Los Padres Chapter

Mr. Mike Stubblefield, Sierra Club, Los Padres Chapter

Mr. Tony Sustak, Richmond Bicycle Pedestrian Advisory Committee

Mr. Scott Thomas

Ms. Sandra Threlfall, Public Trust Group

Mr. Brian Trautwein

Mr. Steve Uhring, Malibu Coast Land Conservancy

Ms. Olivia Uribe, Santa Barbara County Action Network

Mr. Larry Wan

Ms. Sara Wan

Ms. Janet Wolff, Santa Barbara County Supervisor
I. 12:00 NOON - Open Session 1

II. Confirmation of Minutes for the Meeting of January 6, 2009.

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GENERAL LEASES

C13 WILLIAM D. WATKINS AND DENISE P. WATKINS, TRUSTEES OF THE WATKINS FAMILY TRUST DATED 1-7-94 (LESSEES): Consider revision of rent to Lease No. PRC 3637.1, a General Lease - Recreational Use, of sovereign lands located in Lake Tahoe, adjacent to 6980 West Lake Boulevard, nearTahoma, Placer County; for an existing guest pier and five mooring buoys. (PRC 3637.1) (A 4; S 1) (Negotiator: R. Barham) 10

V. Regular Calendar Item 39 - 42

39 PLAINS EXPLORATION & PRODUCTION COMPANY (PXP) (APPLICANT): Tranquillon Oil & Gas Project: Consider application for two offshore negotiated subsurface (no surface use) oil and gas leases, and development of the leases from a federal platform, offshore Santa Barbara County. (W 40807, W 30117) (A 33; S 19) (Negotiators: M. Voskanian, J. Planck, E. Gillies) 47

40 PLAINS EXPLORATION & PRODUCTION COMPANY (PXP) (LESSEE/APPLICANT): Consider termination of two existing General Leases Right of Way Use and an application for one new General Lease Right of Way Use, of sovereign lands located in the Pacific Ocean, near Point Pedernales, Santa Barbara County; for an existing power cable, crude oil pipeline, gas pipeline, and wastewater pipeline serving OCS Platform Irene. (WP 6911.1, WP 6923.1; RA# 40807) (A 33; S 19) (Negotiator: S. Young) 252

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
41 CALIFORNIA STATE LANDS COMMISSION (PARTY):
Consider support of various proposed bills for the 2009 State legislative session concerning ballast water regulation, confirmatory land patents, mining leases, abandoned vessels, trespass on sovereign public trust lands, and sovereign public trust lands granted in trust to the Port of San Diego. (A & S: Statewide)
(Negotiator: M. DeBernardo) 253

42 CHEVRON U.S.A. PRODUCTS (APPLICANT):
Consider certification of a final Environmental Impact Report (SCH NO. 98112080) and an application for a new General Lease - Industrial Use, of sovereign lands located in San Francisco Bay, city of Richmond, Contra Costa County; for an existing marine oil terminal and dredging previously authorized by the Commission.
(W 25263, PRC 236.1; RA# 06195) (A 14; S 9)
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CHAIRPERSON GARAMENDI: Please take your seats.

We're ready to begin this meeting.

I'm Lieutenant Governor John Garamendi. And I'm calling the State Lands Commission meeting to order. I believe that there are two Commissioners here and the representative from Controller John Chiang. John will be along a little later.

We're going to change the agenda slightly here. I want to take up the Chevron Long Wharf issue first and move that out of the way, in anticipation of John's arrival a little later this afternoon.

So get yourselves together on that. I understand that there are some people here that wish to -- from the public that wish to speak on the Chevron Long Wharf.

Our normal process is to begin with Paul Thayer and his report.

So, Paul, would you like to start us off.

EXECUTIVE OFFICER THAYER: Certainly.

Is this on? It's not on.

CHAIRPERSON GARAMENDI: Paul, we're supposed to turn you on.

(Laughter.)

EXECUTIVE OFFICER THAYER: Thank you.

I'm from Berkeley. I know what that means.
CHAIRPERSON GARAMENDI: Moving on, folks.

EXECUTIVE OFFICER THAYER: Sorry.

CHAIRPERSON GARAMENDI: I'm from Berkeley. I have no idea what you're talking about.

EXECUTIVE OFFICER THAYER: I can go ahead and give the Executive Officer's report and then we could move back to the consent calendar and move on from there.

In the Executive Officer's report, I would say a couple of things. First, we have noticed a closed session, but this is for the benefit of the Commissioners. We don't have any particular items to take up in it. But as we get particularly into the PXP matter, there may be a need, at some point, to talk about strictly legal matters. At any point we have the opportunity to adjourn; we have a separate room to do that.

But for now, we're not anticipating otherwise having a closed session.

We have a very large group of people here today. And we have to be mindful of fire marshal rules and this sort of thing. So the capacity of this room is basically defined by the number of seats in it. If you can't find a seat, we apologize. But there is an overflow room
downstairs, which has both audio and visual available to it.

There are bathrooms on the way out of the room on the left-hand side. As I say, please don't clog the aisles.

As usual, I wanted to give a summary of the status of our violations. We've made some good progress in some of those, starting with the South Bay Yacht Club, where the problem had been docks in disarray and disrepair, and overgrown vegetation, among other things.

I wanted to report that on January 5th the removal of vegetation had begun. It must be completed by the end of February, as required by the fire marshal -- or the fire department down there. The Yacht Club believes that all work and repairs should be completed by the end of February, depending on the weather.

As the Commission may recall, the original deadline for completion of this work was last month. But, again, staff is recommending that we allow, at this point, the Yacht Club to complete their work. We'll be monitoring that. And then the interested citizen down there, John Asuncion, is certainly monitoring it and continuing to have some concerns over what's happening.

With respect to Jeanne Bird Taylor - this is the woman that had the floating house at a pier in the

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Delta - she sold that house. We're in contact with the new owner and making arrangements for a site inspection. Ms. Taylor herself is coming in for a new lease for the remainder of her dock. She's agreeing that the present dock is too long for a residential use. And so, again, we're moving towards a conclusion on that. Although with respect to the floating home, we're not there yet.

With respect to Shawn Berrigan and Diane House, these are two individuals that bought the Courtland Marina, a very small marina in the town of Courtland in the Delta - they continue to make payments on the rent. They've repaired the docks as they were supposed to. We still haven't received all the security bond. There's still a limitation because they're under litigation, and bonding entities are reluctant to enter into that bond at this point. But they're continuing to pay the rent. So as far as we're concerned, they're making good progress towards resolving those issues.

With respect to Hulbert, who had the overbuilt dock on the Sacramento River, the office of the Attorney General has filed a cross-complaint for ejectment and declaratory injunctive relief. And I'm not sure what the schedule is for when that might be heard, but we're moving down the road on that.

We're also continuing to work with the AG's
office on the Spirit of Sacramento, which is the old boat
on the Sacramento River just south of the city itself.

With respect to the vessel Faithful and the
ferryboat San Diego -- this is the last of these -- the
City of Rio Vista is considering issuing a lease for the
mooring of the Faithful on lands outside of the
Commission's jurisdiction. And with respect to the
ferryboat San Diego, we haven't been able to make any
further progress, but we're still working on that. Part
of the problem again is that owners of these two vessels
don't have a lot of resources. And so we're not going to
be able to resolve that by suing them or whatever. We're
continuing to look for outside salvors or other solutions
like that to try and resolve it.

So some of these have made good progress.

Others, we're just going to have to continue to work on.

CHAIRPERSON GARAMENDI: For those of you that are
wondering what in the world we're doing: The State Lands
Commission is charged with the responsibility of taking
care of your land. And these issues that have been raised
are issues that have come -- that affect the state land,
in most of these cases the rivers and Delta -- the rivers
or sloughs of the Sacramento/San Joaquin Delta, and San
Francisco Bay.

EXECUTIVE OFFICER THAYER: Two more items and
then we'll be done with this part.

I wanted to mention something that I passed on information about by Email to the Commissioners' offices, which is that there's an ongoing exhibit that our staff helped put together in the second floor of the Capitol rotunda on the Surveyor General's office, which used to do a lot of the things that we now do in terms of establishing boundaries and that sort of thing for State lands. And our staff -- some of our past staff actually were very, very interested in the history of all of that. And so we have a four-panel exhibit that's been up there for the last month or two, gotten some very favorable comments about it. It's basically a history lesson about an old office in California government.

Senator Kehoe was admiring the maps and wanted a copy of one of them.

Finally, we're doing some webcasting of this meeting for the first time. And the gentleman who is setting this up has done it for free. He does this as a business as well, and I'm sure he has some hopes that we'll be able to pay him for future webcasting of the Commission's work. He also does this for the Coastal Commission and a variety of other State entities. He does very good work. But he asked for an opportunity for just a minute here to explain how these webcastings work and
let everybody know that we're all going to be seen on the web.

Steve, if you want to make your presentation.

MR. MATHIEU: Good morning Board, Commission, staff and general public. My name is Steve Mathieu. Many of you probably recognize me from other meetings.

This is our business, live webcasting and archiving of California State government meetings. And we handle a number of agencies, which many of you cross over to, the Coastal Commission, Fish and Game Commission, Ocean Protection Council, what have you.

What I did want to do is explain what it is, where it is, the archives. This is going to be archived as well for posterity. It will be available at our primary distribution site, which is Cal-span dot org - cal-span.org. And we'll also be available on the Lieutenant Governor's web page as well as the State Lands page directly.

So I want -- another part of what I wanted to share with everyone is, one of the reasons that we're here doing this is because of the agenda content itself. As a point of fact, I shot this very room for the first time, my first State commission meeting, with the Coastal Commission ten years ago on this very issue.

So this is kind of an anniversary thing for me.
So it's not all about business. It's actually about the citizens of California and the outreach that we are attempting to provide on a broader scale.

So wherever we can and where we do see the issues of substance of the caliber of what's going on today, we will come in and do it. Getting paid's good. It's not what the motivation is.

So thank you. Have a good meeting. And I hope everybody uses the tools that are available.

CHAIRPERSON GARAMENDI: Well, thank you very much. We appreciate it.

(Applause.)

CHAIRPERSON GARAMENDI: Given the State budget calamity, we appreciate the freebie.

(Laughter.)

CHAIRPERSON GARAMENDI: And the public, I'm sure, appreciates the fact that they can watch this from wherever they may be in California and beyond.

And I have had the pleasure of your services in other venues. Thank you.

Paul.

EXECUTIVE OFFICER THAYER: That concludes the Executive Officer's report, unless there's any questions from the Commission.

And we'd move to the adoption of the minutes.
CHAIRPERSON GARAMENDI: Yeah. Now, that we have a full board here, I would like to have a motion on the minutes from the previous meeting.

ACTING COMMISSIONER SHEEHY: Lieutenant Governor, I'd be happy to move those minutes.

ACTING COMMISSIONER ARONBERG: I'll second the motion.

CHAIRPERSON GARAMENDI: Discussion?

Without objection, adopted.

We've moved ahead, Paul, of our normal order, waiting the arrival of my colleagues here.

We have the consent calendar?

EXECUTIVE OFFICER THAYER: We have nothing to remove, except that there is one item that the Lieutenant Governor has requested that we vote on separately because of a potential conflict. And so I would ask that Item 13 be removed from the consent calendar. We'll vote on the overall consent calendar and then we'll vote on Item 13 separately.

ACTING COMMISSIONER SHEEHY: Excuse me, Mr. Chairman. I have a question.

CHAIRPERSON GARAMENDI: Which item is No. 13?

ACTING COMMISSIONER SHEEHY: Which item is No. 13, Paul.

EXECUTIVE OFFICER THAYER: It involves an
accommodation pier and buoys at Lake Tahoe, which serves a motel.

ACTING COMMISSIONER SHEEHY: And who requested that it be pulled from the consent calendar?

EXECUTIVE OFFICER THAYER: The Chair.

CHAIRPERSON GARAMENDI: The Lieutenant Governor.

ACTING COMMISSIONER SHEEHY: Thank you very much.

EXECUTIVE OFFICER THAYER: So with that, we could take a vote on the overall consent calendar.

CHAIRPERSON GARAMENDI: Okay. We have before us the consent calendar with Item 13 removed.

EXECUTIVE OFFICER THAYER: Correct.

CHAIRPERSON GARAMENDI: Is there a motion?

ACTING COMMISSIONER ARONBERG: Move adoption of the consent calendar, with the exception of No. 13.

ACTING COMMISSIONER SHEEHY: I second that motion.

CHAIRPERSON GARAMENDI: Without objection, the consent calendar's adopted.

Now to Item 13.

EXECUTIVE OFFICER THAYER: Okay. And then we could give a staff presentation if you would like. However, it is truly a consent calendar item.

CHAIRPERSON GARAMENDI: The Chair has chosen to recuse himself from this item.
EXECUTIVE OFFICER THAYER: I understand.

ACTING COMMISSIONER SHEEHY: Item 13. May we make a motion then to approve it?

ACTING COMMISSIONER ARONBERG: So I will -- accepting motions on consent calendar Item No. 13.

ACTING COMMISSIONER SHEEHY: I would move approval of Item No. 13.

ACTING COMMISSIONER ARONBERG: And I will second.

All in favor say aye.

(Ayes.)

ACTING COMMISSIONER ARONBERG: The motion is approved.

ACTING COMMISSIONER SHEEHY: Please let the record show that the Chairman abstained.

EXECUTIVE OFFICER THAYER: Great. Thanks very much.

CHAIRPERSON GARAMENDI: The next item is the -- we were going to take up PXP. But in deference to Mr. Chiang, we are going to move to the Chevron Long Wharf, as I indicated earlier.

I believe -- if you'd like to lead with this, Mr. Thayer.

EXECUTIVE OFFICER THAYER: Certainly. The staff member who will make the presentation on this is Nancy Smith.
MS. SMITH: Good afternoon, Mr. Chairman and members of the Commission. My name is Nancy Smith and I work in the Commission's Land Management Division.

(Thereupon an overhead presentation was Presented as follows.)

MS. SMITH: Calendar Item 42 involves the termination of an existing dredging lease, the proposed certification of Environmental Impact Report, and the issuance of a 30-year general lease industrial use to Chevron U.S.A. products for the continued use, operation, and maintenance on an existing marine oil terminal located on sovereign lands in San Francisco Bay, city of Richmond, Contra Costa county.

This item was presented to you at the December 3rd Commission meeting. And at your request, staff has worked with Chevron on issues that were raised by the public during the December meeting. The issues are artificial lighting, the bay trail, and cold ironing.

Regarding artificial lighting, the California Environmental Quality Act, CEQA, contains the parameters to be used when evaluating the significance of an environmental effect resulting from the implementation of a project. Various subsections of CEQA address those situations when the project would result in a direct or indirect physical change in the environment. As the
renewal of the lease for the Chevron Long Wharf specifies continued use of existing facilities, it does not propose any changes from the existing conditions. Ongoing impacts from the current lineup of the wharf were considered as part of existing conditions and found not to be significant in the EIR.

However, comments received during the application review process in the December 3rd Commission meeting, lighting up the facility does have a negative impact on residents in the neighboring Point Richmond area.

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MS. SMITH: Since the December meeting staff has negotiated and is recommending in order to reduce lighting impacts to the -- that a provision be included in the lease to require Chevron to provide within one year after a new lease is issued a program that will be reviewed and approved by staff of the Commission, in order to reduce nighttime lighting effects upon nearby residents without compromising security and safety.

The second issue regards the Bay Trail and access through Chevron's upland property and funding for necessary security enhancements to the Bay Trail route in the vicinity of Chevron's property.

Since December 3rd, staff has been discussing with Chevron and others regarding the Bay Trail issues.
As a result of the efforts made on behalf of the
Commission, staff has negotiated with Chevron and Chevron
has agreed to dedicate an easement over property owned by
Chevron. This easement would extend from the Richmond
Bridge to Point Molate.

Chevron has also committed to fund the
construction costs up to $2 million for security
enhancements of the Bay Trail that will meet the
requirements of the Maritime Security Act. The commitment
by Chevron has been incorporated into a letter of
agreement with Chevron, and staff is seeking your approval
to execute that agreement.

The last issue regards air emissions from vessels
at Chevron's Long Wharf. In 2008, the California Air
Resources Board, CARB, implemented regulations to reduce
oxides of nitrogen and diesel particulate matter emitted
by oceangoing vessels at berth in California ports.

--o0o--

MS. SMITH: This regulation is found in Section
229.3, Title 13, Chapter 5.1, California Code of
Regulations, and is known as operational hour limits,
reduced onboard power generation, and other requirements
for auxiliary diesel engines operated in oceangoing and
vessels at berth in a California port.

The CARB determined that cold ironing is most
effective for terminals that receive many ships, that visit frequently, and have long significant berthing times. The classes of ships that best met the criteria were passenger, container, and refrigerated cargo vessels, but not the types of vessels that serve the Long Wharf.

It was determined that more studies would be required to determine cost effective measures to reduce emissions for oil and product tankers. For this reason, the regulation was not applied to the categories of ships. However, the CARB will be focusing their efforts on oil and oil product tankers in 2009. It is unknown if the regulatory requirements will be similar to those promulgated for vessel container refrigerated vessels. In response to this issue, staff has negotiated with Chevron to provide a written report to Commission staff regarding the status of all plans, actions, decisions, or studies by the California Air Resources Board and/or the Bay Area Air Quality Management District with respect to cold ironing relating to oil tanker vessels operating at the Long Wharf within one year after approval of the issuance of a new lease. This commitment is also memorialized in the letter of agreement.

To summarize, staff is recommending approval of the following:

Termination of Dredging Lease PRC 5805.9,
certification of EIR No. 688, adoption of CEQA findings,
the mitigation monitoring program, and Statement of
Overriding Considerations;

Issuance of a 30-year general lease industrial
use to Chevron for the continued use, operation, and
maintenance of the Long Wharf Marine Terminal;

Acceptance of back rent of $5,815,688; and

Authorization for staff to execute a Letter of
Agreement with Chevron. This agreement includes
confirmation of Chevron's commitments to the Bay Trail as
contained in the Community Benefits Agreement between the
City of Richmond and Chevron, the dedication of easements
across lands owned by Chevron for the Bay Trail, including
funding for the security enhancements and Chevron's
commitment to submitting a report to the Commission on
cold ironing.

This concludes staff presentation. Commission
staff from the Division of Environmental Planning and
Management, and Marine Facilities, as well as
representatives of Chevron are available to answer any
questions on this item.

CHAIRPERSON GARAMENDI: Thank you very much.

This has been a long ongoing process, more than a
decade now. And the staff has done a very good job in
negotiating most of these -- all of these issues.
Would others -- is there a representative from Chevron that would like to make a comment at this point? This was discussed at length in -- here you are. This was discussed at length in the previous hearings.

And, please.

MR. GILL: Commissioners, good afternoon. Walt Gill, Government Affairs Manager from the Chevron Richmond refinery. And I do want to thank you for having us today and considering our additional contributions to the Bay Trail.

As Nancy discussed, you did request at the meeting last month that we come forth with additional contributions. And we have, in addition to what we've already agreed to with the City of Richmond, come forth with about a mile of property north of the San Rafael Bridge onto the --

CHAIRPERSON GARAMENDI: Could we put back up the slide that was showing that particular -- I think it was one of the first slides that was up -- that showed the route of the Bay Trail.

I think it's the first one.

No, must be the second one.

Third?

Do I hear a bid for the fourth?
(Laughter.)

CHAIRPERSON GARAMENDI: There you go.

MR. GILL: Yeah, there it is.

A lot of that shows the southern route on the --
you see the yellow line there just to the south of 580.

That's the portion we've already agreed to with the --
dedicated land with the City of Richmond. For purposes of
this, we're talking north of the highway, you see Western
Drive. And if you look forward on that picture, there's
about a mile of property that we're going to help dedicate
to the trail. It's about 50 to 100 feet wide. So it's
substantial property that we're bringing forth.

CHAIRPERSON GARAMENDI: Have you placed a value
on that?

MR. GILL: Our internal land folks have estimated
that it's worth about four and a half million dollars.
That's over the years of the easement. And so we think
that in addition to the southern properties is a monetary
contribution of about nine and a half to ten million
dollars.

And I'd like to -- as I mentioned last time,
Chevron's also committed to continue into working with the
work group of the Association of Bay Area Governments, the
City of Richmond, and CalTrans to, you know, finalize the
design of that trail and construct it. So you have that
commitment, as do the --

CHAIRPERSON GARAMENDI: My understanding, that
the completion of the planning is some 18 months minimum.
Is that your estimation?

MR. GILL: That's my understanding. The City of
Richmond is the lead agency in conducting the design and
the engineering. And then I think there's a role that
CalTrans plays in that process. So I think the year and a
half is directional.

CHAIRPERSON GARAMENDI: Questions?

ACTING COMMISSIONER SHEEHY: Thank you, Mr.
Chairman.

Mr. Gill, thanks for coming today, and also thank
you for working with the State Lands Commission on this
item. And especially I want to acknowledge the Lieutenant
Governor's leadership on this issue. I'm very
appreciative of additional resources that we helped get
for this project. I think this bike trail's extremely
important to the Bay Area.

But I also want to say that it's really, really
important here in California that facilities like yours
continue to operate as efficiently as possible. The last
thing we need in California is to have a refinery go down
or have an interruption in refinery operations.

We're on a very thin supply line here. In other
words, if we would lose any refining capacity, we're going to see gasoline prices shoot up in the state significantly and very rapidly. And in the middle of the worst recession that we've had since World War II, we certainly don't want to see that happen.

So very appreciative that you've come forward with additional resources. And I wanted to encourage you to do everything you can to keep your refinery operating cleanly and as efficiently as possible.

MR. GILL: Yes, Commissioner. And we certainly try to do that, and we try to balance that with the needs of the surrounding community, which we're very sensitive to.

CHAIRPERSON GARAMENDI: I think we're about to hear from the surrounding community. There may be some questions about that. But we would want to come back to.

MR. GILL: Okay.

CHAIRPERSON GARAMENDI: But thank you very much.

And --

MR. GILL: Could I --

CHAIRPERSON GARAMENDI: I think there's a seat right here in the front.

Another comment?

MR. GILL: Okay, good.

CHAIRPERSON GARAMENDI: Please.
MR. GILL: I just want to mention, if I -- well, I'll probably get another chance to talk, you know, the way things go. But if I don't, last time -- you know, I've worked for about the past eight years with your staff on this. And I just wanted to thank them, Nancy Smith, Mark Meier, Judy Brown, Val Van Way - I don't know whether she's here - but a very professional staff. We haven't always agreed, but they've approached things very professionally, and you have a very -- staff you should be proud of. So if I don't get a chance to tell you that, I wanted to mention that.

But we're here if you have any questions.

CHAIRPERSON GARAMENDI: Tom has another question.

ACTING COMMISSIONER SHEEHY: One more question, Mr. Gill.

How quickly can we get that check into the General Fund?

(Laughter.)

MR. GILL: As soon as I can leave and get back to Richmond, I'll make that a priority.

MR. GILL: And can you do that electronic transfer too?

(Laughter.)

MR. GILL: We'll do that. Thank you.

CHAIRPERSON GARAMENDI: You just heard from the PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
We have several people that wanted to speak to this issue. And as soon as -- you know who you are. Why don't you come forward. 

And we have Bill Lindsay, City Manager, City of Richmond; Tony Sustak, Richmond Bicycle-Pedestrian Advisory Committee -- I'm going to call you three at a time -- Bruce Beyaert, Chairman of TRAC.

Please.

MR. LINDSAY: Thank you, Mr. Lieutenant Governor and members of the Commission. My name is Bill Lindsay. I'm the City Manager with the City of Richmond. And I also would like to thank you for your thoughtful consideration of this lease and for the work by your staff.

I won't repeat what I said at the last hearing. But just to emphasize, we're not opposed to the lease. We're not trying to shut down a refinery. But we are asking for a lease condition of $5 million for construction of the Bay Trail. And let me just summarize briefly.

First of all, we believe that the EIR is inadequate in that it does not mitigate for impacts regarding loss of open space and recreational resource. That wasn't addressed and it needs to be. So we feel that
the EIR is inadequate in that regard.

Secondly, we believe that the Commission has the obligation to balance contemporary Public Trust values. Lease conditions that worked in 1947 don't go far enough today in balancing those interests. And I think that updating those conditions will allow the State Lands Commission to take care of our lands responsibly, Mr. Chair, as you so eloquently described your mission. We think that adding a condition with respect to the Bay Trail would allow you to manage those lands responsibly.

The third point is just to echo the comments that were made at the last meeting, which is that this is an opportunity to pull funding together for this project. And with a $5 million construction commitment from Chevron, we believe what was mentioned before as a contribution by CalTrans to take care of a very dangerous condition of their public property would be appropriate of a like amount. And the City of Richmond along with the East Bay Regional Park District has affirmed its local funding commitment in a combined amount of $3 million toward this project, which is $13 million toward the construction.

What was worked out between last December's meeting and today, the additional easement does not address the critical gap, the critical dangerous portion.
And it really does overstate, in our minds, the value of that property. What I understand is that Chevron at least had a handshake arrangement with the East Bay Regional Park District to provide that easement at no cost. So it really is not a substantial benefit in terms of balancing those interests.

So with that, I'll conclude and be glad to answer any questions.

Again, we would encourage you to approve the lease with the conditions added -- an additional condition of $5 million toward construction of this critical dangerous segment of Bay Trail.

Thank you.

CHAIRPERSON GARAMENDI: Thank you very much.

Next.

MR. SUSTAK: Good afternoon, Lieutenant Governor, Director of Finance, other Commissioners. Tony Sustak, Richmond.

Certainly Mr. Lindsay and others who are going to speak are going to talk about the technical aspects of this further. For us, we don't really care what Chevron values this land at. As we can see on this map, since the public doesn't have any access to it, then it can't be used for any other purpose, whatever its valuation, is kind of moot.
What I'm interested in and what people who have been struggling for the trail are interested in, is the -- sort of the historic opportunity to complete a very important and crucial segment. And for Richmond, which has been a city that's been part -- which has stood up to a lot of the impacts of the changes in the economy and the global economy, completing this trail is one of those little stones in the stone soup you were talking about earlier. But the stone turned over, which allows Richmond and people in Richmond, both central Richmond and people coming to Richmond to access Point San Pablo, to access Point Pinole, to access the Great Marsh, so there are all kinds of opportunities there for recreation, for bird watching, for tying areas of Richmond together, which we really don't have any access. As Mr. Garamendi had spoken at the last meeting, going up on 580 to go from the south side, which you saw on that map, to the north side is really, really chancy. It's really uncomfortable to be standing somewhere where cars may be going by you at 75 miles an hour. It's not a good experience.

So, again, the future focus of Richmond being greening and eco-tourism and opportunities for recreation are part of that picture for us in Richmond.

And thank you for your time.

Mr. Garamendi, particularly thank you. If you
can keep that whip cracking on CalTrans, we'd greatly appreciate that.

CHAIRPERSON GARAMENDI: Well, CalTrans has already committed to match Chevron's money.

MR. SUSTAK: Well, that's good. But I go to meetings at CalTrans. And the people at CalTrans who are very sympathetic to us, both in the bicycle and pedestrian community, say, "We're having some little difficulty changing the culture at the top."

CHAIRPERSON GARAMENDI: It wasn't an accident that I said that CalTrans has agreed to match Chevron's commitment --

MR. SUSTAK: Thank you, sir.

CHAIRPERSON GARAMENDI: -- because they expect to have a vote here pretty soon with the Department of Finance affirming that.

Let's move on.

Next witness.

MR. SUSTAK: Well, that moves the dream. Thank you.

ACTING COMMISSIONER SHEEHY: A question of staff. May I, Lieutenant Governor?

CHAIRPERSON GARAMENDI: Sure. Please, go ahead.

ACTING COMMISSIONER SHEEHY: Who was the lead agency on CEQA for this project?
EXECUTIVE OFFICER THAYER: For this term of -- it was the State Lands Commission.

ACTING COMMISSIONER SHEEHY: The State Lands Commission was. And then did the City of Richmond take a position on this project? Did they pass a resolution or take a vote or do anything?

EXECUTIVE OFFICER THAYER: There have been a couple different resolutions. There was a Planning Department -- or Planning Commission vote where they recommended that a letter be sent.

I should ask staff, because I'm fumbling a little bit here.

ACTING COMMISSIONER SHEEHY: I'm just wondering if Richmond has taken, you know, an official position on the matter.

EXECUTIVE OFFICER THAYER: They have adopted a resolution asking the Commission to, in fact, seek a monetary contribution from Chevron. I do recall that.

Nancy, is there anything else?

MS. SMITH: I'm not sure.

ACTING COMMISSIONER SHEEHY: Okay. Thank you.

CHAIRPERSON GARAMENDI: Okay. Next witness.

MR. BEYAERT: Mr. Chairman, members of the Commission. My name is Bruce Beyaert. I'm here speaking for TRAC, the Trails for Richmond Action Committee, to
advise you that this EIR is seriously deficient and failing to recognize and mitigate the adverse land-use, recreation, and transportation impacts while continuing Long Wharf operations.

Not only does the Long Wharf interfere with recreational boating; it also forces a realignment of the Bay Trail and drives up the cost of completing a Bay Trail segment. It's been forced up from the shoreline, because that would be near Long Wharf, to a hillside above I-580, doubling the construction costs to an estimated $13 million.

Granting Chevron a 30-year lease requires mitigation under CEQA. Also, the Public Trust land should be used to encourage rather than discourage public uses. Since Chevron has no vested rights here, you could eliminate these impacts entirely by requiring replacement of Long Wharf with an offshore mooring and undersea pipelines, just as Chevron's El Segundo refinery has, which allows the public unfettered access to the ocean beaches. This was not considered in the EIR.

In conclusion, please don't certify the EIR -- or approve the lease without either requiring Chevron to replace Long Wharf with an offshore terminal mooring and undersea pipelines; or in the alternative, requiring them to pay up to half -- or at least half of the estimated $13 million.
million high cost of building the trail due to the
presence of Long Wharf. You have the duty and the
authority both under CEQA and the Public Trust Doctrine to
require this, as articulated in a letter from TRAC's
attorney, Stephan Volker, as well as letters from East Bay
Regional Park District, the City of Richmond and others.

I understand your concern about litigation. And
I can confirm that TRAC's attorney, Stephan Volker, is
fully prepared to litigate, if necessary, and would expect
to win. However, we'd much rather -- we, and many others,
would much rather be a friend in court with you if Chevron
should decide to take the low road and challenge your
decision, the public interests.

So I ask you, as elected officials and their
appointees, to vote in the public interest as articulated
by more than 400 letters and Emails you've received from
organizations and individuals from throughout the San
Francisco Bay Area.

Thank you for considering this. I urge you to do
the right thing. If it goes to court, let the Court
decide the arguments between the lawyers.

So if you have any questions, I'd be glad to try
to answer them.

CHAIRPERSON GARAMENDI: No questions.

Thank you very much.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
There are three more witnesses that have requested the opportunity to speak. Bill Pinkham, Board of Directors of the East Bay Bicycle Connection --

MR. PINKHAM: -- Coalition.

Chairperson Garamendi: -- Robert Raburn; and Sandra Threlfall.

Please, go ahead, sir.

MR. PINKHAM: Good afternoon, Commissioners. My name is Bill Pinkham and I've lived in Richmond for about 21 years. I'm on the Board of Directors of the East Bay Bicycle Coalition, the Contra Costa County Bicycle Advisory Committee, the Friends of the Richmond Greenway, and the Richmond Bicycle-Pedestrian Advisory Committee.

We will soon create a comprehensive bicycle and pedestrian plan for the entire city. The pedestrian plan part is funded. And we have every reason to believe that the bicycle part will be funded also. I sit on the county committee that advises the MTC on grants for bike-ped projects, and our application was very favorably received.

Many of our bicycle and pedestrian routes will connect to Richmond Greenway, which is our new Class 1 multi-use trail that goes east-west through the heart of the city. The greenway will connect the Bay Trail with the Ohlone Greenway, which goes to Berkeley, and the I-80 bikeway, which continues all the way to the Rodeo Transit
Center, which is, as you may know, an important commute
texus. This will meld our city system with the county's
regional trail system and make Richmond, with its 32 miles
of shoreline and many miles of -- and more miles of Bay
Trail than anyone else, an attractive destination.

But bicycles need to have safe access to this
system. As you've heard, access to the Bay Trail south
from the greenway and Point Molate is a critical part of
our system, but it's currently impossible except by that
very dangerous route on the freeway shoulder which, as
you've heard, caused one man to be killed and another man
to be put in a wheelchair the rest of his life.

It can be even more dangerous to return from
Point Molate, for riders who are not familiar with the --
there's a small section of path under the freeway --
because the Point Molate road merges in the middle of the
freeway, with traffic on both sides, nowhere to go. It's
very hard to get a bike up to freeway speeds.

Even if they used that path, they're still forced
to ride the freeway on the eastbound shoulder, creating
the same problem that the riders, who were injured and
killed, had on the west side -- north side.

Richmond has pledged to do its part to construct
the path. Please require Chevron to do the same thing as
a condition of the renewal of its lease. Five million
dollars is a small amount of money for a company that made 18.7 billion in profit last year. We just can't take the chance that anymore bicyclists will be killed or injured. We have to begin the construction now.

Thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

A question. You said that there was funding. In your opening comment, you said there was funding.

MR. PINKHAM: Oh, for the bike-ped plan, yes.

The bicycle part is funded, and the Richmond Bicycle-Pedestrian Advisory Committee will work together with that funding and the funding we expect to receive from TDA funds to develop the bicycle part of the plan. We'll be melding these together. And, as I said, tied in with the regional system, I think it's going to be a very good thing for the City. It will bring lots of neighborhoods together and give a lot of people access to a lot of areas.

CHAIRPERSON GARAMENDI: Thank you very much.

MR. PINKHAM: You're welcome.

MR. RABURN: Good afternoon, Chairman Garamendi, Commissioners. My name is Robert Raburn. I'm the Executive Director of the East Bay Bicycle Coalition. We've been working to promote improved public access since 1972.
In 1988, we worked with then Senator John Lockyer to promote the Bay Trail, Senate Bill 100, which was adopted, creating a 500-mile shoreline route around the bay.

We began working in 1997 on the particular section here at the Chevron Long Wharf. It's been a long, hard battle. And we want to point out that this is about the money. We need to -- we have funding from -- recently the voters in the East Bay, the two counties, approved a $500 million bond measure for the East Bay Regional Park District. And a component of that does go toward funding this important access.

What we don't see is a substantial contribution from Chevron to fund this path. We need to include a coexisting path, as has been pointed out in El Segundo. In other areas of the Bay Trail, we have substantial contributions from local entities to create a facility that all are proud of. We have a legal nexus with the tidelands lease and public access benefits. We have the feasibility study showing that the path is feasible.

But, again, what's on the table is an inadequate amount of funding. And we ask that $5 million be contributed directly from Chevron to add to the pot of money that the City of Richmond, that CalTrans, and that the Park District have already anted up to propose for
this trail.

Thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

Sandra.

MS. THRELFALL: Good afternoon, Commissioners and Lieutenant Garamendi. My name is Sandra Threlfall. I'm on the Executive Board of Public Trust Group. We're a northern California group that serves to educate the public as to the value of Public Trust Lands.

In addition, we try to let the communities understand the valuable position that the Commission holds in terms of the use of these lands.

Now, we support a resolution that allows a private lease for a private industry on Public Trust Lands in conjunction with -- and I think this is very important. These are Public Trust Lands. Yes, they can be privatized in a narrow range; an oil lease is one of them. But for the general public, I think it's an acceptable suggestion that a condition of the lease be made that would visually, safely, and transportation-wise provide the connection of the Bay Trail so that the community can see that there is an exchange between using the Public Trust lands for private enterprise and the private enterprise helping to support public uses, such as the Bay Trail.

We strongly support a $5 million condition on
Thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

I have no other witnesses that are on my list here.

I would like to have Bill Lindsay, the City Manager, if you could come back. And I have a question for you.

Several of the witnesses have mentioned funding sources, the $500 million bond that was approved by the voters in the East Bay region. Does Richmond have access to any of that for this purpose?

MR. LINDSAY: Included in that bond measure is sort of the return to source local grant funding. That's, in fact, the funding source that we have for this trail segment.

CHAIRPERSON GARAMENDI: And how much was that that the City's going to put up?

MR. LINDSAY: It's depending on what we work out with the East Bay Regional Park District. Together we're committed to $3 million. So it will be somewhere between 1 1/2 and $2 million.

CHAIRPERSON GARAMENDI: You're committed for three million for this project?

MR. LINDSAY: Between the Park District and the
CHAIRPERSON GARAMENDI: Does the City of Richmond have access to any other portion of the 500 million or is it that you've decided this is how you want to allocate a portion of what you're allocated?

MR. LINDSAY: The total allocation -- total local grant is $4.7 million over the 30-year period of the bond measure. So it would come out in series, depending on how they structure their issues. They'd issue the bonds probably within two to three years, the first series, and then they generally go in seven- to ten-year increments thereafter, I believe.

CHAIRPERSON GARAMENDI: Did the City reach a settlement with Chevron on another matter, the expansion of the Chevron facility?

MR. LINDSAY: We did. We did permit the hydrogen recovery project. And the Community Benefits Agreement, that's been referred to by staff, was something that was voluntarily entered into by Chevron with the City. And the conditions that are proposed here are exactly the same conditions as we have in our Community Benefits Agreement. So there's nothing additional that is added by this lease. Those are already in place and Chevron has committed to do that.

CHAIRPERSON GARAMENDI: Was the amount of the
public benefit 40 million?

MR. LINDSAY: The --

CHAIRPERSON GARAMENDI: For what purpose is Richmond going to use that money?

MR. LINDSAY: Most of the funds that come directly to the City of Richmond go toward violence prevention and crime reduction, public safety, alternative energy, greenhouse gas mitigation, environmental benefits.

CHAIRPERSON GARAMENDI: So it's discretionary on the part of the City how to use the 40 --

MR. LINDSAY: It is actually not discretionary. It's very closely prescribed in terms of what the funds may be used for. So without amending the agreement with Chevron, we could not use the funds for the Bay Trail.

ACTING COMMISSIONER SHEEHY: A question.

CHAIRPERSON GARAMENDI: Tom.

ACTING COMMISSIONER SHEEHY: What would it take to amend the agreement?

MR. LINDSAY: It would take Chevron and the City of Richmond to renegotiate that.

ACTING COMMISSIONER SHEEHY: Is that a possibility?

MR. LINDSAY: I don't believe it is.

ACTING COMMISSIONER SHEEHY: Why, Chevron's not willing to negotiate with you?
MR. LINDSAY: I can't speak for Chevron. But I think that -- we negotiated a package of benefits. The one thing I will say about the Community Benefits Agreement that I think is really important is, is the value that is given to what is already for the Bay Trail, which is $5 million, $2 million of that is for security improvements. And, in essence, that's a private benefit for Chevron. I would call that a cost to the project, because it's necessary to be done. But they also provide -- they also ascribe $3 million to the value of that easement. And we think, frankly, the $3 million really overstates the value of that. In fact, as a compromise, I would even say that if the State Lands Commission were to have a $5 million total, less an appraised value of that easement, it would be a whole lot closer to five million than it would be something less than that.

ACTING COMMISSIONER SHEEHY: Thank you very much. Mr. Chairman, I'd like to just say a couple things. We've heard from several witnesses this morning about the profits that Chevron's made and about the Public Trust Doctrine. I think it's important to get on the record that this lease is completely consistent with the Public Trust Doctrine. We have a $2 trillion economy here
in California, albeit we're in a recession. We need the products that Chevron is refining and producing. If this refinery goes down, you're going to see gasoline prices spike up above $4 a gallon again and it's going to further exacerbate the problem.

And I think it's also important to note for the record that Chevron employs a heck of a lot of people in the Bay Area. By the time you add up their payroll and all the taxes that they're paying to the State and all the ad valorem taxes that they're paying to the cities, the counties, the special districts, they are pumping hundreds of millions of dollars into the Bay Area and benefiting the Bay Area and all of California in a major way. So let's not forget that.

Finally, I'm not at all concerned about the fact that Chevron makes a profit. I thought that's what our society's supposed to do. And I know for a fact that all the major pension plans in this country that are working to secure your retirement and my retirement happen to be major shareholders of Chevron. So when they make profits, these pension companies get higher returns on their funds, which helps to secure our pension benefits.

So I, for one, Mr. Chairman, am prepared to move approval of this lease agreement.

CHAIRPERSON GARAMENDI: I think we've exhausted
the speakers. There's a couple of questions I have of Mr. Thayer before we take up your motion, Tom.

The issue of an EIR has come up a couple of times. I'd like you and our staff attorneys to speak to that issue.

EXECUTIVE OFFICER THAYER: The State Lands Commission in issuing a new lease is taking a discretionary act and, as such, it's subject to CEQA.

There's some controversy about this. But the State Lands Commission and its staff has taken the position that renewal of these leases, even though they're for existing facilities, mandates the preparation of an EIR to comply with CEQA because of the ongoing threat of an oil spill.

So the EIR was prepared mostly because of that issue. And it's required that the Commission, in order to comply with CEQA, certify that EIR and then use the environmental information contained within that document as a basis for its decision.

CHAIRPERSON GARAMENDI: Is the staff and our lawyers comfortable with the quality and the extensiveness of the EIR?

EXECUTIVE OFFICER THAYER: We are. And to respond directly to the one point that was raised about whether or not the EIR looked at the offshore buoy approach to a terminal, such as is in El Segundo, we had
looked at that, but did not analyze it in the EIR because it wasn't feasible; that at El Segundo they typically have only one ship at the terminal. Whereas, in Chevron's Long Wharf, there's often several facilities there.

CHAIRPERSON GARAMENDI: Several ships?

EXECUTIVE OFFICER THAYER: Several ships, yes.

I'm sorry.

And so in order to reproduce with a buoy system the capacity that's in the terminal, there would have had to be several different buoys out there, both of which require large circumferences to accommodate these vessels. And it just didn't seem feasible. So there's a very real difference between the two different terminals.

CHAIRPERSON GARAMENDI: Curtis.

CHIEF COUNSEL FOSSUM: There's another issue, Lieutenant Governor, that --

CHAIRPERSON GARAMENDI: Curtis Fossum, staff attorney.

CHIEF COUNSEL FOSSUM: Thank you.

ACTING COMMISSIONER SHEEHY: Chief Counsel.

CHAIRPERSON GARAMENDI: Chief Counsel. Excuse me.

CHIEF COUNSEL FOSSUM: Mr. Chairman and Commissioners. Lieutenant Governor, at the December meeting, asked that we also look into an issue along the
shoreline itself and public access issues. Our investigation shows that, in fact, Chevron owns the tidelands in that area. They were sold by the State in the 1870s -- '60s or '70s into private ownership. The Public Trust easement does remain on those lands. However, much of the pier structure out into the bay is on lands owned by Chevron. So if the Commission were to try and impose a buoy-type of marine terminal and remove the improvements on the pier, the State would have to compensate Chevron for those improvements.

CHAIRPERSON GARAMENDI: Somebody asked a real good question in December. Thank you for the response. (Laughter.)

CHAIRPERSON GARAMENDI: I want to just review what we have before us. We have an EIR. I believe we have to take an action on the EIR; is that correct?

EXECUTIVE OFFICER THAYER: Yes, sir.

CHAIRPERSON GARAMENDI: And if you'll help me with the correct motion on that when I come to it. We have, in the staff report, a dedication of an easement that we had discussed before, which was the easement to the south of the Long Wharf, and now an additional easement to the north of the freeway.

EXECUTIVE OFFICER THAYER: Right. And that's to the south of the freeway; it's north of the Long Wharf.
itself, right.

CHAIRPERSON GARAMENDI: I think it's both. I believe that we're talking about an easement that is south of the freeway --

EXECUTIVE OFFICER THAYER: Right.

CHAIRPERSON GARAMENDI: -- over the hill and an additional offer of an easement north of the freeway.

EXECUTIVE OFFICER THAYER: That's correct, absolutely.

CHAIRPERSON GARAMENDI: We also have, in the staff report, the issue of cold ironing, which is coming to California.

EXECUTIVE OFFICER THAYER: Yes.

CHAIRPERSON GARAMENDI: Incidentally, for those in the business of shipping that say it can't be done, the U.S. Navy's done it for about 30 years. So perhaps somebody can hire a retired admiral.

(Laughter.)

CHAIRPERSON GARAMENDI: There's also a clear commitment to $2 million for the purposes of meeting the federal anti-terrorism requirements along that portion of the trail that passes over the pipes that take the oil from the tankers into the refinery.

And, fourthly, an issue of lights.

I think that covers the issues that were
discussed by the staff, in addition to the overall lease
and the money and the rest.

Is that correct?

EXECUTIVE OFFICER THAYER: Yes, sir.

CHAIRPERSON GARAMENDI: Okay. The first issue
that we have then before us is the issue of the
Environmental Impact Statement.

Paul, if you could help me with the correct
motion here.

EXECUTIVE OFFICER THAYER: Well, on pages 14 and
15 of the staff report, there's a variety of CEQA findings
and authorizations. And rather than repeat all this, what
we would recommend that the Commission do is move to adopt
the findings and authorizations contained within the staff
report rather than --

ACTING COMMISSIONER SHEEHY: Mr. Chairman, I
would move to adopt the findings and the authorizations
contained therein.

CHAIRPERSON GARAMENDI: Second?

I'll provide the second.

Without -- let's see. I think we're going to
take a vote on this?

Tom.

ACTING COMMISSIONER SHEEHY: I vote in favor of
granting the lease.
CHAIRPERSON GARAMENDI: No, the issue before us is the EIR.

ACTING COMMISSIONER SHEEHY: Oh, the EIR.

I vote in favor of my motion.

(Laughter.)

ACTING COMMISSIONER SHEEHY: Hey, I'm just jumping the gun.

CHAIRPERSON GARAMENDI: Got ahead of me, Tom.

ACTING COMMISSIONER SHEEHY: Sorry about that, Mr. Chairman.

Mr. Chairman.

CHAIRPERSON GARAMENDI: Controller Chiang.

ACTING COMMISSIONER ARONBERG: Aye.

CHIEF COUNSEL FOSSUM: Excuse me, Mr. Chairman.

CHAIRPERSON GARAMENDI: Yes.

CHIEF COUNSEL FOSSUM: As a clarification, the Commission then is voting on the items -- the CEQA findings found on page 14 of the staff report only at this point?

CHAIRPERSON GARAMENDI: That's correct. We'll take up the motion of the lease itself subsequent to this.

And the Chair votes aye.

So we have a unanimous vote on the adoption of the EIR and the findings therein. Okay.

Now, the issue before us is the lease itself.

Tom, you wanted to speak to this.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
ACTING COMMISSIONER SHEEHY: Mr. Chairman, I'm prepared to make a motion to approve the lease.

CHAIRPERSON GARAMENDI: And apparently you have made a motion.

EXECUTIVE OFFICER THAYER: And I would just add that as a -- we're actually, as a technical matter, folding together two existing leases, one of them provided for dredging. And so one of the other items that the Commission is considering here is acceptance of the quitclaim of the old dredging lease, folding in the authorization that's contained with that lease. So the motion should both approve a new lease and accept the quitclaim for the old dredging lease --

ACTING COMMISSIONER SHEEHY: Mr. Thayer, I would move then to approve the lease and the quitclaim that you just described to combine both issues into the one motion.

I so move.

CHAIRPERSON GARAMENDI: Second?

I'll provide the second.

The issue is before the Commission.

Department of Finance?

ACTING COMMISSIONER SHEEHY: Aye.

CHAIRPERSON GARAMENDI: Controller Chiang?

ACTING COMMISSIONER ARONBERG: Aye.

CHAIRPERSON GARAMENDI: And the Chair votes aye?
Very good.

We now have the next issue before us.

EXECUTIVE OFFICER THAYER: So returning back to the beginning of the regular calendar, we have the proposal by PXP for two new leases to develop the Tranquillon oil field.

Presenting the staff report -- we have two sections to the staff report. Greg Scott will present the bulk of the report. But with respect to the legal aspects --

CHAIRPERSON GARAMENDI: Paul, why don't you just take it easy for a few moments. There seems to be some folks that want to move around in the room. If you'll do so quickly, we'll reposition ourselves and take up Item 39.

For those that are of the public that want to speak to this issue, I'm going to lay out a method of getting to that.

Brian, do you have the list of participants? You had written it down someplace.

EXECUTIVE OFFICER THAYER: I have that written down.

CHAIRPERSON GARAMENDI: Paul, if you could help us here. We had discussed earlier a way in which we'd handle this agenda item, item by item or participant by
participant. Could you describe that to us. And that will help, I think, the audience keep track of where we are.

EXECUTIVE OFFICER THAYER: Certainly.

In consultation with the Chair, there would be a staff presentation that would probably last about 15 minutes. The applicant, the Plains Exploration & Production Company (PXP), would have about 15 minutes for its presentation. Linda Krop, representing EDC and several environmental groups in support of the project, would have about 15 minutes. The Trust for Public Lands, who has a role in accepting land donations from PXP as part of the EDC agreement, would speak for about five minutes. We would then take an organized opposition group for about 22 minutes. We would then move to elected officials. There are several here that want to speak; particularly, I think, Santa Barbara County's organized their supervisors who want to speak. And then we would move to the general public on comments.

CHAIRPERSON GARAMENDI: Okay. I think I'm just going to make a modification here. I want to take the elected officials prior to the general public and then we'll move from there.

There's a bit of confusion here. And, that is, the way in which the sign-in is interpreted. The item

PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
before us is the lease. And many of you have filled out
this wishing to speak in support of the calendar item. I
think, however, what you mean to say is you want to speak
in opposition.

So here's the way it's going to be, however you
filled it out. We're going to try to sort this out.
If you support the PXP proposal, that's support.
If you're opposed to it, that's opposed. Okay?
Listen. We've got a lot of confusion. I'm going
to allow you to sort it out on your own as to which one
you are in.

We're going to call the support of PXP first for
the general public when we come to that. And then we're
going to take the opposition to the PXP lease secondly.
Because it's all over the parking lot, folks.

So let's hear from the staff.

(Thereupon an overhead presentation was
Presented as follows.)

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
CHIEF SCOTT: Good afternoon, Mr. Chair and Commissioners.
My name is Greg Scott. I'm the Assistant Division Chief
of the Commission's Mineral Resources Management Division.
And I'll be presenting the staff report of Calendar Item
No. 39, which is Plains Exploration & Production Company's
proposed Tranquillon Ridge Field Exploration and
Development Project, also known as T-Ridge. I'll be referring to slides as I present the staff reports.

The complete project application was submitted to the State Lands Commission and Santa Barbara County by PXP in April of 2005. The Commission staff has reviewed the project application with regard to its applicability to the State's leasing statutes, its technical design and safety and environmental effects, the economic value which the project could provide the state, and its consistency with Commission policies.

Santa Barbara County was the lead agency under CEQA and has prepared and certified the Environmental Impact Report for the project.

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: PXP applied for two offshore leases covering the Tranquillon Ridge Field, which is located in state waters directly offshore from Vandenberg Air Force Base, shown here on the slide, this area.

PXP plans to use their existing Platform Irene, which is located in federal waters - right here - and is presently used to develop and produce oil from the Point Pedernales Oil Field located directly northwest of and connected to the Tranquillon Ridge Field.

The oil and gas that would be produced from
Tranquillon Ridge would be measured separately on the platform and then combined or commingled with oil from Point Pedernales, and transported together through existing pipelines to the Lompoc Oil and Gas processing plant in the city of Lompoc. Here the oil would be processed to oil pipeline quality and shipped to refineries through the All-American pipeline.

Also shown on this map are three other offshore platforms operated by PXP that produce oil from the federal Point Arguello unit. And their oil is shipped through an offshore and an onshore pipeline to a processing facility in the Gaviota area.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The two leased areas that PXP has applied for are shown on this slide in dashed red lines and ascribed as the northern and the southern tracks. These two leases are approximately 5,000 acres each in size. The western edge of the lease area is the three-mile limit, which is the boundary between the State and federal offshore jurisdictions.

PXP has proposed preliminary drilling targets for its T-Ridge wells, shown here in red dots. These are locations of the bottom of each well and the surface locations all located on Platform Irene.
I'd like to point out one well, Well A-28 on this slide right here, which is very near the boundary between the State and federal jurisdictions. This well was drilled and produces on the federal side of the field. It is still producing oil. And it's important that it is shown. There's a continuous reservoir that exists involving both the State and federal lands, which I will discuss later, regarding the issue of drainage.

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The T-Ridge Development Project was originally proposed by Nuevo Energy Company in 1999, the predecessor operator prior to PXP. Santa Barbara County was the lead agency for reviewing the project pursuant to CEQA, and in 2002 denied the offshore portion of the project over jurisdictional and inspection issues involving the offshore pipeline. After PXP purchased Nuevo's offshore assets, it submitted its own T-Ridge development project in late 2004. The project was deemed complete by the State Lands Commission staff in April of 2005.

The PXP project was initially proposed to develop the T-Ridge Field over an approximately 30-year time period, but was later modified and scaled back as a result of an agreement between PXP and an environmental coalition.
consisting of, among others, the Environmental Defense
Center, "Get Oil Out!", and the Citizens Planning
Association of Santa Barbara.

The modified project reduced the lease term from
30 years to approximately 14 years, terminating on or
before December 31st, 2022.

The Commission staff evaluated a shortened
project for technical adequacy and economic benefit. And
Santa Barbara County prepared and certified the EIR, which
was approved by its board of supervisors on October 7th,
2008.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
CHIEF SCOTT: The details of the proposed development are
shown here. State Lands Commission staff estimates an oil
recovery of up to 90 million barrels of oil from 17
development wells over a period of about 14 years. Oil
and gas production will be processed at the Lompoc Oil and
Gas Plant. Two leases totaling over 10,000 acres will be
the area of development. And at its peak, production is
estimated to reach approximately 30,000 barrels of oil per
day and about 7 1/2 million cubic feet of gas per day.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
CHIEF SCOTT: This is a picture of Platform Irene. This
is located in federal waters, approximately four and a
half miles from shore. And it is placed in a water depth
of about 242 feet. It has one drilling rig that will
share its duties between drilling the wells in T-Ridge and
performing the ongoing well work needs of the federal
Point Pedernales field operation.

All T-Ridge drilling would be directional. And
PXP would be using extended reach drilling technology to
reach its target locations within the State property.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The California Coastal Sanctuary Act of 1994
made all unleased tide and submerged lands off limits to
oil and gas leasing and development, with certain limited
exceptions. One exception to the Act, Public Resources
Code Section 6244 allows leasing by the State Lands
Commission if oil and gas from State-owned tidelands --
tide and submerged lands are being drained by producing
wells upon adjacent federal lands and that leasing is in
the best interest of the State.

In the case of Tranquillon Ridge, gas is being
drained by production from well A-28, and both oil and gas
by operations of the federal Point Pedernales field.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

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CHIEF SCOTT: Two independent third-party studies were performed to determine the occurrence and existence of drainage of State resources from Tranquillon Ridge. The reports concluded that the production of nearby Federal Well A-28 has been and continues to be a cause of drainage of State resources, including a loss of reservoir energy due to the withdrawal of millions of barrels of water from the reservoir.

In addition, production from Point Pedernales wells has also caused a loss of oil resources from Tranquillon Ridge by approximately three million barrels of oil annually from loss of energy caused by water drainage.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The State Lands Commission staff, with the assistance of a third party economic consultant, has evaluated the economic parameters of the proposal over a wide range of possible oil prices, and has developed a royalty formula that changes or slides with changing oil prices. The royalty rate percentages are shown here, that oil prices of $19 per barrel or less the royalty rate remains fixed at 12 1/2 percent. For oil prices between $19 a barrel and $100 a barrel, the rate climbs to 48 percent royalty. And between 48 -- between $100 a barrel
and $500 per barrel the rate reaches the highest royalty
of 82 1/2 percent.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The sliding scale royalty rate is also shown
graphically on this slide. A mathematical formula has
been prepared that matches this graph, so exact royalty
percentage can be calculated at all oil prices.

The annual cash flow the State would receive is
shown on this slide at an oil price of $37 per barrel,
which is the -- approximately the oil price today for this
area.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The State would receive approximately $130
million during the first year and then average
approximately $100 million each year for the next four
years and then gradually drop for the remainder of the
project life to approximately $25 million in the final
year.

The total cash flow to the State, at this oil
price, would be just under $1 billion.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: This slide shows that the cash flow to the
State can vary greatly depending on oil price. This graph shows that the State could receive in excess of $4 billion in royalty over the project life if oil prices were to reach $100 and remain at that price over the full length of the project.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: Under the California Environmental Quality Act, it was determined that Santa Barbara County was the appropriate lead agency for this project. The Commission staff, along with the California Coastal Commission staff, provided input in the preparation of the EIR through a joint review panel. The Minerals Management Service, Vandenberg Air Force Base, and Santa Barbara County Air Pollution Control District were also part of the joint review panel as advisory agencies.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The EIR was certified on October the 7th, 2008, by the County Board of Supervisors. The Commission staff has reviewed the EIR and mitigation monitoring program adopted by the lead agency and concurs with the adopted measures.

The significant impacts identified in the EIR result from the increased volumes of oil and gas over

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current production levels and are primarily related to the
risk of marine oil spills.

The County adopted a Statement of Overriding
Considerations in conformance with the State guidelines
prior to approving the project. That statement, which
finds the benefits of the risk of the project outweigh the
unavoidable impacts, is attached to the staff report as
Exhibit G3.

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MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: In addition to the State Lands Commission,
several other governmental jurisdictions and agencies have
been involved in the review and permitting process. As
mentioned previously, Santa Barbara County has completed
the CEQA work. If the Commission approves the new leases,
approval by the Coastal Commission will be required after
it has reviewed the project for consistency with the
California Coastal Act. And then the MMS must review and
approve PXP's revised development plan and also execute a
right of use and easement agreement with PXP to allow them
to drill from Platform Irene into State waters.

The State, the MMS and PXP would then need to
execute two memoranda of agreements that address the
inspection of drilling and production operations, as well
as the measurement and allocation of oil production from
State and federal wells.

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT

CHIEF SCOTT: The State has been involved in negotiations with PXP involving proposed lease terms. Significant negotiated terms are shown here. The development area will contain two separate lease areas, each containing approximately 5,000 acres, as I stated before. And the annual rental fee will be assessed on a per acre basis. The lease will contain an initial two-year drilling term, during which a minimum of three wells must be drilled. A sliding scale royalty rate, as I discussed earlier, has been agreed to. The lease term ends production at the end of December 2022, with well abandonments to take place thereafter.

There will be no discharge of muds and cuttings into the ocean, except for safety emergencies and with State approval. PXP will post a bond as security for performance of lease terms and for well abandonments. There is a 180-day maximum period between well drilling. And, finally, protocols have been established that describe the inspection participation of operations by State inspectors.

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT
CHIEF SCOTT: The potential advantages to the State are several. There are significant economic benefits. Royalty revenues to the State can reach or exceed $1 billion, depending on various factors such as oil price, field performance, and royalty rate.

This project will also reduce the amount of drainage occurring from federal operations and will enable the State to protect and recover its own resources. In addition, the lease terms include a specific end date for Tranquilllon Ridge production at December 31st, 2022, as well as provisions whereby the greenhouse gas emissions will be mitigated through equipment modifications and carbon offsets.

This project has, on the other hand, significant disadvantages. Since the 1969 Santa Barbara oil spill, California has enunciated a policy of choosing protection of coastal values and resources over new offshore oil leases that could threaten those values.

The Legislature steadily added prohibitions against new leasing in additional areas until 1994, when it prohibited all new leases in State coastal waters, with the drainage exception that the Commission's considering today.

The Legislature also adopted a series of resolutions opposing new leases in federal waters.
The Commission has not approved a new lease since before 1969. Since 2001, the Commission has adopted eight resolutions opposing new leases in federal waters. These resolutions often cited the State's record of not approving new leases as support for this opposition.

The last six months have seen new threats of renewed federal leasing. President Bush has withdrawn the presidential moratorium on new leasing. Congress allowed its moratorium to expire. Two weeks ago the Department of Interior asked for comments on three new proposed lease sales off California.

Staff's recommendation of a denial of this project is based largely on the inconsistency of this new lease with the California -- with California's and the Commission's longstanding policy and the protection this policy has given the coast.

Under existing California law, we don't know of any other current drainage qualified exceptions from the 1994 lease prohibition.

However, if new federal OCS leases are approved, new drainage situations could be created. Staff believes new federal leases are more likely if this lease is approved.

In general, staff believes that approval of this lease will change the debate in California and Washington
D.C. from whether additional leases should occur to the circumstances under which they should be approved.

In addition, we question whether the greenhouse gases would be completely offset and that these mitigations are not a net public benefit, but only a mitigation of a new burden.

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT CHIEF SCOTT: On April 10th, 2008, PXP and the Environmental Defense Center, representing itself, "Get Oil Out!", and the Citizens Planning Association of Santa Barbara, announced an agreement that would allow the environmental groups to actively support the development of Tranquillon Ridge by PXP. Commission staff was given copies of the confidential agreement. But PXP and EDC have otherwise kept the terms of this agreement confidential.

The environmental benefits, as described publicly by PXP and EDC, include end dates of PXP's offshore oil and gas operations and onshore processing facilities in and around Santa Barbara county, land conveyances by PXP to a trust, and greenhouse gas mitigation measures.

The agreement has target end dates for cessation of oil production activities for T-Ridge for December 2022, Point Arguello for 2017, and also provides for
In addition, PXP has agreed to conduct an audit of all greenhouse gases associated with their operations and to determine what feasible measures can be done to eliminate or reduce the generation of greenhouse gases from ongoing drilling and production on the platform and to fully offset any remaining greenhouse gases that the Tranquillon Ridge project could create.

Lastly, are proposed land conveyances from PXP to the Trust for Public Land of up to 3,700 acres in the Lompoc area, including the land upon which the Lompoc treatment facility sits, and some 200 acres in the Gaviota area, where the production facility for Point Arguello resides. This would remove the land from future development, either for oil or gas or additional housing development.

Curtis Fossum, State Land's Chief Counsel, will address the next slide regarding enforceability of environmental benefits.

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CHIEF COUNSEL FOSSUM: Thank you, Greg.

EXECUTIVE OFFICER THAYER: And before Curtis starts, I'd like to explain that this next section of the staff presentation really turns on the legal situation, the legal circumstances surrounding these leases, the
federal leases, and the EDC agreement. So we thought it
appropriate to have the Chief Counsel make this
presentation.

CHAIRPERSON GARAMENDI: Mr. Fossum, please have

at it.

CHIEF COUNSEL FOSSUM: Thank you, Mr. Chairman.

CHAIRPERSON GARAMENDI: Before you do, we've been

joined -- for those of you that are looking up here --

(Laughter.)

CHAIRPERSON GARAMENDI: -- by our State

Controller, John Chiang.

John, thank you for joining us.

Go ahead, Mr. Fossum.

CHIEF COUNSEL FOSSUM: Thank you, Mr. Chair.

Staff was consulted early on in last year and

consulted with the Commission in early August 2008 to

begin investigating whether the public benefit goals

adopted in the PXP and EDC agreement could be incorporated

and enforced through a lease with the Commission. If

these goals could be included as conditions and enforced

by the Commission, they could provide benefits to the

public that the Commission could use in weighing whether

the proposed project is in the State's best interest.

Commission staff has serious concerns about

whether the goals and benefits proposed in the PXP-EDC
agreement can and will be realized. While certain staff
members were provided an opportunity to review the
agreement, a confidentiality agreement with EDC and PXP
prevents staff from describing or discussing the details
of the agreement.

Staff investigated alternatives that could be
considered as lease provisions, which, if enforceable,
would give the Commission certainty that the goals
proposed by the PXP-EDC agreement would, in fact, be
reached. The end result of our research concludes that
the nature and legal framework of federal jurisdiction
prevents a conclusion, with any degree of certainty, that
the goals of termination of offshore development in
federal OCS waters and removal of platforms can or will be
obtained through the PXP-EDC agreement or by the
incorporation of enforcement terms within the proposed
lease.

Commission staff analyzed the proposed
environmental benefits of the PXP-EDC agreement as a
factor for determining whether these leases -- whether the
proposed leases would be in the State's best interests.

In consultation with the Attorney General's
office, the Commission's legal staff concluded that
enforcement of the main goals of the agreement could not
be assured and staff could not devise any way to improve
The main concerns with the State trying to impose end dates regarding federal development projects are potential interference with the federal leases and federal jurisdiction, including conflict with the preemption clause of the -- the Commerce Clause of the United States Constitution.

Staff looked at several options including whether PXP could be required, through adoption of lease provisions, to halt productions from the federal leases by the PXP-EDC agreement, their proposed end dates.

Secondly, whether the Commission could refuse to extend the lease that we've issued to PXP for the pipelines and power lines that serve the federal platforms.

Third, we looked at whether or not the Commission could require that the onshore facilities be closed down consistent with end dates.

Fourth, whether the Commission could negotiate an agreement with MMS, wherein the federal government would agree to PXP's closure of federal lease production from Point Ped and Point Arguello.

And, lastly, whether the State could impose backstop requirements in the leases that would at least assure that the land dedications contemplated in the EDC

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The Commission staff concluded that the Commission cannot reliably require PXP to stop and close production on federal leases for several reasons:

First, to do so would tortuously interfere with the contracts between PXP and MMS involving the federal OCS leases. There are estimates that commercial oil production at Point Arguello and Point Ped will have declined within the respective end dates of 2018 and 2022. However, new technology allows more oil to be recovered, and oil prices typically increase over time as exemplified by last year's oil shortage and market escalation.

In fact, the Environmental Defense Center in a press release two days ago made the following statement:

"With new slant drilling technology and variable oil prices, it's more than likely the drilling will continue for many years, possibly another 30 or 40, as has been experienced with other platforms in Santa Barbara Channel."

These factors enable more costly recovery mechanisms to be employed to recover additional oil. Some fields that are expected to be drained 30 or more years ago are still producing. EDC believes that there is a public benefit to the end dates they've agreed to. But because commercial production could extend beyond any date
currently estimated, it's likely the United States will want to continue production from the OCS.

The PXP-EDC agreement or similar lease conditions seeking to limit oil production and continued revenues for the federal government to end dates raises several legal obstacles.

A contract which causes PXP to prematurely abandon oil production and halt anticipated revenue would interfere with the federal lease and the federal government's contractual expectations that PXP would continue production, while it is commercially remunerative. The federal government could sue the parties involved for damages or for its continued production from the federal leases. Requirements to close onshore processing facilities at Gaviota and Lompoc are also subject to legal challenges by the United States on the same grounds.

The federal government could exercise its condemnation or eminent domain powers to keep open the onshore production facilities and prevent the State from closing down the pipelines which service the federal leases. Although it's speculative whether this would occur, the federal government has exercised these powers to take control of State sovereign lands on previous occasions.
The oil pipelines and facilities are necessary for interstate commerce, as has already been seen. In the 1980s the Commission was involved in litigation that arose out of the Commission's decision to alter how rent rates were set for pipeline leases. The result of the litigation was that an oil industry association successfully relied on the Commerce Clause and the Import-Export Clause of the United States Constitution to stop the Commission from imposing a throughput-based royalty. The oil industry association successfully argued that the Commission has a monopoly over the land transporting offshore oil to the onshore processing facilities.

The Ninth Circuit held that the Commission had violated the Commerce Clause and the Import-Export Clause by its action. That case was called WOGA, or Western Oil & Gas Association, versus Cory. Mr. Cory was the Chairman of the Commission at the time.

The State could be similarly vulnerable to federal intervention, if the State tried to stop use of the pipelines for conveying the federal oil. For example, the United States has recently condemned rights of way across California's submerged lands in the Colorado River for a power line right of way.

MMS has indicated that federal end dates are
inconsistent with its conservation and prevention of waste policies that require production to continue while recoverable oil remains. MMS has likewise rejected inclusion of end dates in PXP's application to use Platform Irene for the T-Ridge project. MMS has no incentive to give up the federal production.

Even if the federal government contractually agreed to end dates, those dates could not be enforced if the United States changes its mind. The United States District Court of Appeal for the Ninth Circuit in an Arizona case held that the federal government could be sued for damages only and not specific performance.

Thus, if MMS entered into an agreement to end production in federal leases and chose not to implement it, California could only litigate for damages and not to obtain cessation of oil production, which is the potential policy basis for approval of the Tranquillon Ridge and therefore would not be attainable through litigation.

Further, it's unclear that PXP can effectuate the end dates for the Point Arguello operations because of partnership agreements in place for the Gaviota facility and its lack of control of the existing federal offshore platforms. Staff has not been given a copy of those partnership agreements.

Staff has also considered developing a lease
provision, which PXP would agree to pay the State a large penalty, should the federal lease end dates not be realized. However, a payment to the State would not obtain the public policy result desired of closure of those federal leases and platforms.

Further, courts have declined to enforce liquidated damage provisions where the intent is to establish a penalty to obtain the desired performance. Instead, courts have limited payments to actual damage demonstrated.

Establishing a monetary damage amount for failure to close a federal lease would be difficult, if not impossible.

With respect to the onshore land donations contemplated in the PXP-EDC agreement, these would not be hampered by the same legal considerations as enforcement of the federal end dates, with the exception of the relatively small acreages of which are involved in the pipeline and the two processing facilities.

Late Tuesday, PXP and the Trust for Public Land allowed staff to analyze their donation agreement. Staff believed it to be important in trying to determine whether we could develop provisions that would provide for donation of the lands currently offered by PXP to TPL to be controlled by the Commission and donated to an entity.
of the Commission's choice if the TPL transfer had not occurred, for example, within ten years of the end dates. Since we just obtained that agreement, that option was not explored further and would have no effect on offshore operations regardless.

In response to the Commission raising these concerns, counsel for PXP provided a memo, Exhibit I, advocating that the Commission not try to enforce the Point Arguello end dates and the land donations, but to focus on Point Pedernales and the greenhouse gas emissions.

Among other things, the Commission suggested the donations could take a long time to complete and that the title problems could prevent some of the donations from occurring at all. If actually obtained, the land donations may provide a significant public benefit. However, there remain a number of conditions and caveats in the confidential agreements that would affect that outcome.

In conclusion, staff does not believe that the PXP-EDC agreement forms a reliable basis for determination that the project is in the best interests of the State as required by the Public Resources Code Section 6244.

Enforcement of the federal end dates -- excuse me. Enforcement of the federal end dates would be a
public benefit, but there are a number of conditions attached to these -- to the donations, including that described in Exhibit I, and the end dates are highly uncertain as to production offshore.

That ends my presentation.

CHAIRPERSON GARAMENDI: Mr. Fossum, thank you very much.

Tom, you had a question?

ACTING COMMISSIONER SHEEHY: Questions of staff.

EXECUTIVE OFFICER THAYER: We were going to have just -- if we may, just there's one concluding section that will wrap up the staff's presentation. Can we do that first?

ACTING COMMISSIONER SHEEHY: Certainly.

CHAIRPERSON GARAMENDI: Greg.

MINERAL RESOURCES MANAGEMENT DIVISION ASSISTANT CHIEF SCOTT: This last slide is the concluding slide.

It is the staff's recommendation that the Commission find that this proposal is not in the best interests of the State and deny the application by PXP for leasing State lands.

Should the Commission decide, however, that the lease is in the best interests of the State, staff has prepared, as Exhibit G, an alternative Commission finding

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and determination to approve the application by PXP for leasing State-owned lands.

Other issues related to that alternative, findings such as greenhouse gas mitigation, right-of-use and easement agreement, and certain lease terms can be discussed at greater length and at a later time, if desired by the Commission.

Thank you. That concludes my staff report. I as well as other staff are available to answer questions if you have any.

CHAIRPERSON GARAMENDI: Tom.

ACTING COMMISSIONER SHEEHY: Thank you, Mr. Chairman.

And thank you staff of the Coastal Commission for a comprehensive thorough briefing. I appreciate it. I think this is about the sixth time I've heard it, but I --

CHAIRPERSON GARAMENDI: State Lands Commission.

ACTING COMMISSIONER SHEEHY: What did I say?

CHAIRPERSON GARAMENDI: Coastal.

ACTING COMMISSIONER SHEEHY: Did I? Did I really?

You know what it is, I was looking at Paul Thayer, and I just had Coastal Commission all over his forehead.

(Laughter.)
EXECUTIVE OFFICER THAYER: Former employee of the Coastal Commission.

ACTING COMMISSIONER SHEEHY: Don't worry. The Coastal Commission will be the next stop for this project.

EXECUTIVE OFFICER THAYER: My past consummate --

ACTING COMMISSIONER SHEEHY: I have questions about the California Coastal Sanctuary Act of 1994.

What were the specific conditions under which -- in that Act -- they said that any new lease could actually be executed?

EXECUTIVE OFFICER THAYER: In general, there are three ways that additional oil production could occur in California waters. The one we're dealing with today, which is probably the most significant, is that if there was drainage by a federal development, federal oil wells, that the Commission could approve a new lease, if it found that drainage occurred and it was in the best interests of the State.

The second major exception, for which actually there's a proposal before the Commission or coming to the Commission, would be if an oil company that presently had leases wanted to expand those leases to encompass the whole of an oil field. It was only partially included within -- currently only partially included within the existing leases. The Commission could approve that.
And, finally, there's a somewhat loosely worded provision that says if the Feds -- if the President declares an energy emergency -- and I think if California's Governor concurs -- then the Legislature can amend the statute to allow for more oil leases.

ACTING COMMISSIONER SHEEHY: Well, the Coastal Sanctuary Act was a statute, was it not?

EXECUTIVE OFFICER THAYER: Yes, it was.

ACTING COMMISSIONER SHEEHY: So isn't it true that the Legislature could, at any time, come in and amend it?

EXECUTIVE OFFICER THAYER: Absolutely.

ACTING COMMISSIONER SHEEHY: Okay. So it wouldn't necessarily require a federal emergency or a state of emergency to amend the California Sanctuary Act, is that right?

EXECUTIVE OFFICER THAYER: Absolutely right, which is why that last one is kind of odd.

ACTING COMMISSIONER SHEEHY: Okay. So the last one's kind of odd. But the first two was -- there has to be drainage occurring?

EXECUTIVE OFFICER THAYER: Yes.

ACTING COMMISSIONER SHEEHY: And you've already done a good presentation to establish the fact that that's happening. So there has to be drainage. That's the
And the other one was -- say it again. It's sort of connecting the dots, that there's fields that are close to each other, they could be connected together. It has to be a very unique circumstance.

EXECUTIVE OFFICER THAYER: If there's a field that's, say, eight miles wide and their lease is only four miles, but it can be shown that it's all one great big field, you can enlarge the leases to encompass the whole of the eight miles.

ACTING COMMISSIONER SHEEHY: Is that pretty specifically laid out in the statute?

EXECUTIVE OFFICER THAYER: Yes.

ACTING COMMISSIONER SHEEHY: Okay. So is there any under -- is there any other condition under which, in State tidelands, an oil company could apply for a lease successfully to do any drilling?

EXECUTIVE OFFICER THAYER: No.

ACTING COMMISSIONER SHEEHY: So regardless of whether this lease gets approved or denied today by this Commission, there's no other condition under which any oil drilling could be done, unless it made one of these two exceptions which are in California statute?

EXECUTIVE OFFICER THAYER: Or the Legislature changed the law, that's right.
ACTING COMMISSIONER SHEEHY: And so therefore in order for that change, the California Legislature would have to introduce legislation and go through that process and send a bill to the Governor for his signature. And if that doesn't happen and we don't have drainage or we can't encompass a field, if any of those conditions aren't met, then there could be no additional oil drilling in California tidelands, is that correct?

EXECUTIVE OFFICER THAYER: Correct.

ACTING COMMISSIONER SHEEHY: Okay. I just wanted to make sure I understood that point.

I have another question.

CHAIRPERSON GARAMENDI: Before you move on beyond the issue of the law itself. Several times staff has spoken to the issue of the public interest. Is that in the statute?

EXECUTIVE OFFICER THAYER: Absolutely. So the Commission has the ability to turn down the current proposal if it's not in the best interests of the State.

CHAIRPERSON GARAMENDI: And is there any definition --

CHIEF COUNSEL FOSSUM: You have to make an affirmative --

CHAIRPERSON GARAMENDI: -- of what "best interests" is?
CHIEF COUNSEL FOSSUM: Excuse me. You have to make an affirmative finding that it is, in fact, in the State's best interests --

EXECUTIVE OFFICER THAYER: -- in order to approve the lease.

CHIEF COUNSEL FOSSUM: -- to approve the lease.

CHAIRPERSON GARAMENDI: So if we were to approve this, part of the motion must be that we find it in the best interests of the State to accept the lease?

CHIEF COUNSEL FOSSUM: That's correct.

CHAIRPERSON GARAMENDI: Thank you.

Tom.

ACTING COMMISSIONER SHEEHY: Thank you, Mr. Chairman.

I have another question. I don't know if it was Mr. Scott or Mr. Fossum was talking about -- oh, yes, Mr. Fossum, you gave a pretty thorough legal presentation of all of the different things that could happen that could prevent the termination of this lease and the termination of the oil facilities onshore consistent with the EDC agreement. You talked about all the things that the federal government could do. They could sue us. They could exercise eminent domain.

The first question I have is, do we know, in the over 200-year history of the United States, has the
federal government ever exercised federal domain --
eminent domain on an energy producing facility anywhere in
this country?

CHIEF COUNSEL FOSSUM: Well, as I -- we don't
know. We don't know if they have and we don't know if
they haven't. We haven't really researched that. But we
do know that -- I've been involved in probably scores of
cases where the United States has condemned State property
for its projects. And those projects include dams on
rivers, federal -- this recent one that I mentioned in my
report was a condemnation on the Colorado River near
Needles for an Indian tribe that wanted to have power
lines coming across the river. And they wanted more than
the Commission was authorized by statute to give them, so
their alternative was to take it. And they did.

So they can, we believe -- whether it requires
special legislation or the legislation's already existing,
Congress would have authority to do that.

CHAIRPERSON GARAMENDI: If I might just add.

When we dealt with the natural gas line from Mexico, there
was a very serious threat of condemnation to complete the
line had we not approved the lease.

CHIEF COUNSEL FOSSUM: Yes. And that's an
existing law for that particular utility.

ACTING COMMISSIONER SHEEHY: Thank you, Mr.
Chairman.

Now, as I understand it, there's an existing pipeline that comes off of Platform Irene that comes onshore, is that right?

CHIEF COUNSEL FOSSUM: Correct.

ACTING COMMISSIONER SHEEHY: And so is there oil flowing through that pipeline now?

CHIEF COUNSEL FOSSUM: Yes.

ACTING COMMISSIONER SHEEHY: And are they going to have to build a new pipeline to get oil out of Tranquillon Ridge?

CHIEF COUNSEL FOSSUM: No, not from the platform.

ACTING COMMISSIONER SHEEHY: So it's going to go through the same pipeline, is that right?

CHIEF COUNSEL FOSSUM: (Chief Counsel Fossum nods head.)

ACTING COMMISSIONER SHEEHY: Okay. So the question is, if -- since there's oil going through the pipeline now and since we know if this project doesn't get approved, there's going to be oil drilling and oil going through that pipeline in perpetuity, are we better off -- do we have a stronger chance of getting the oil out and stopping that drilling if this gets approved or not approving it?

Because I seem to hear that the staff's rationale
for opposition to approving this lease seems to be two things primarily: That a) we haven't done any new leases in California in four decades; and that the State of California has found that it's in the best interests of the State because of the possible environmental impacts of oil drilling to not do that.

And you don't feel that there's a compelling argument in this case to recommend otherwise, so I understand that.

But it also seems like your argument is, there's no guaranty we can get the oil out. But I want to understand what happens if we don't approve this lease. Do we have any chance to get the oil out at all?

EXECUTIVE OFFICER THAYER: I didn't follow that last part.

ACTING COMMISSIONER SHEEHY: My question is -- it seems like staff is recommending to deny this project because they're saying there's no ironclad guaranty between PXP and EDC that can be legally enforced. However, I'm sure we're going to hear from them later about all of the provisions that they feel, in fact, can be enforced to get the oil out and shut down this drilling.

What I want to know is, is that if we deny this lease agreement, do we have any hope of shutting that oil
drilling down?

EXECUTIVE OFFICER THAYER: No. It's equally true in either circumstance. We have somebody here from MMS who can respond to questions about their authority over this. But basically we're saying with or without the EDC agreement, the federal government's in a position to require that production continue from its leases.

ACTING COMMISSIONER SHEEHY: Okay. So if we don't approve this lease, this drilling's just going to continue on?

EXECUTIVE OFFICER THAYER: Right. Or if we approve it, it's going to continue on.

ACTING COMMISSIONER SHEEHY: Okay. Thank you, Mr. Thayer.

Mr. Chairman, that's all the questions I have at this time.

CHAIRPERSON GARAMENDI: Thank you very much. John?

COMMISSIONER CHIANG: No.

CHAIRPERSON GARAMENDI: Let us move on. I'd like now to hear from PXP and then the support -- the organized support for the lease. As I said earlier, it appears to me, looking at the names of the people that want to testify, there's some confusion as to whether to mark "support" or "opposition"
as you signed up.

So we're going to take PXP, we're going to take the organized support for PXP's proposal, and then we'll -- and that'll be EDC -- and then we'll alternate back and forth, starting first with elected officials.

Please, go ahead, sir.

MR. RUSCH: Thank you, Mr. Chair and members of the Commission. My name is Steve Rusch. I'm Vice President with Plains Exploration & Production Company, or PXP, the applicant for the project that staff just did a good job reviewing before you. I'm here this afternoon to seek your approval of the project. It is in the best interests of the State.

Also, here today is our CEO, Jim Flores, and his executive team, who are here to show their support for the project, appreciation for the truly unique coalition that has gathered in support of this historic application, and commencement of the operations.

PXP employs about 460 people in the State of California as the fourth largest producer -- independent producer in the state.

(Thereupon an overhead presentation was Presented as follows.)

MR. RUSCH: We respectfully disagree with staff's recommendation. There are four key reasons why this
project is in the best interests of the State:

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MR. RUSCH: Enforcement shutdown -- enforceable
shutdown of PXP's on and offshore oil and gas facilities;
significant revenue benefits, both long and short term,
for the State of California; mitigation of greenhouse
gases associated with the project and displacement of
emissions from tanker imports; donation of scenic coastal
lands for the public's use, and, of course, conservation
of almost 4,000 acres.

The application, along with the environmental
collection agreement, work in concert to form a unique
historical one-of-a-kind proposal. The nature of our
application also gives the Commission an historic
opportunity to implement the vision outlined in the
previous policy resolution. So I'll get into that.

The fact that PXP, Environmental Defense Center,
and "Get Oil Out!" stand together in front of you today
should underscore the historic decision in front of you.

No two groups have been more singularly focused
in stopping offshore oil and gas production than EDC and
GOO. The road to collaboration of a project of this
nature was not easy. It took four years. It took a year
of intense negotiation. The end result, however, is a
project that is environmentally compatible, provides a
significant number of benefits to the State, and - I want
to stress this point - is consistent with the past policy
resolutions adopted by the Commission.

Then slide 2, John.

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MR. RUSCH: In our opinion, the key arguments
staff outlines in favor of the project far outweigh those
used to support their recommendation. Concerns about
enforceability and the impact of this decision on the
national OCS, outer continental shelf, debate rely almost
entirely on hypothetical speculation about the future.

What is irrefutable, however, is that without
approval of the application and the leases, none of the
environmental and revenue benefits attached to this
project will materialize. Absolutely none.

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MR. RUSCH: I'd like to highlight the most
critical elements on slide 3. PXP is seeking to approve
to drill 14 oil and gas wells into State waters from a PXP
and federal platform, Platform Irene.

The project will utilize existing infrastructure
and won't require the installation of new facilities. In
essence, our facilities will continue to operate in the
same fashion as they currently do if our application is
approved, with a major difference. During the next 14
years, the State will receive a significant stream of revenue and associated environmental benefits, while PXP begins the process of abandoning our four platforms that we own off the northern Santa Barbara coastline.

As a condition of approval, and to secure support of the environmental coalition that joins with us today, PXP has made a series of innovative commitments that will provide a multitude of benefits to the State. In addition to abandoning our platforms, we will also remove an onshore oil and gas facility that is located near the residential area of Vandenberg Village, as well as our onshore oil production facilities and oil field.

We've agreed to mitigate the greenhouse gas emissions that would be associated with the project, even though the platform is not subject to AB 32.

And, finally, we have agreed to donate, for the public's use and enjoyment and permit protection, of almost 4,000 acres of land PXP owns along California's scenic coastline with stunning views of the countryside and ocean. And photos of our property have been provided to you in the package before you.

All of these commitments will be enforced through multiple levels of assurances the environmental coalition insisted upon during our year-long negotiations.

All of these goals are consistent and, in fact,
further the policy positions adopted by the previous
Commission. None of the environmental or revenue benefits
we will discuss here today will materialize, as I've said,
unless you approve these leases.

PXP's proud of our safety record as an operator.

Our pipeline integrity programs are among the most
stringent in industry. We've strengthened our operations
that we've inherited from a previous operator. And in all
aspects of our business, PXP repeatedly demonstrates that
we're a leader in the industry. In fact, PXP's Pipeline
Integrity Program on Platform Irene and these facilities
we use is recognized as the gold standard in our industry
and is even cited in petroleum classes taught at
universities.

As a result of our efforts, I'm proud to say that
we have one of the lowest incidence rates in the industry
and in '08 -- 2008 on average less than a fraction of a
gallon was released from platforms.

This successful record that enables us and so
many of our supporters to say that approval of this
application will not represent an expansion of risk to the
State or country over the next 14 years. In fact, the
spill risk posed by our operations will be unchanged with
or without the approval of this project.

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PETERS SHORTHAND REPORTING CORPORATION  (916) 362-2345
MR. RUSCH: The revenue opportunities generated by this project are significant. As staff acknowledges on page 20 of the staff report, the royalty rate tied to this project is, quote, "the highest rate structure in any oil and gas lease known to staff," end quote.

There is no doubt that the royalty structure of this project is, in fact, in the best interests of the State. The revenue available to California's General Fund over the 14-year life of the project is estimated to be 2 to $5 billion, depending, of course, on the price of crude oil.

The State stands to receive more than double the revenue of PXP, despite the fact we're shouldering obviously the drilling and operating risks and financial risks.

Santa Barbara County could receive another 114 to $331 million in ad valorem taxes.

PXP has also volunteered to prepay $100 million in royalties to help the State in their immediate financial crisis. While the reports -- this would be in the staff reports -- suggest that $100 million merely represents one-quarter of one percent of the current deficit, I suggest that those California residents facing layoffs, mortgage defaults, furloughs, economy distress would not find $100 million insignificant.
By example, PXP's voluntary prepayment represents enough money to pay the annual salaries of 1,538 school teachers or 1,600 State employees. That would be for a full year.

The availability of a constant revenue stream from this project will provide the State enhanced flexibility to determine if securitizing additional royalties is desirable. This is not even mentioned in the staff report.

Determinations about how the revenue from this project is utilized are policy decisions that are subject to the discretion of the members of this Commission and, of course, the Legislature. If the project is approved today, there will be opportunities for decision makers to determine how that money should be spent. If the project is not approved, these opportunities vanish.

One of the principal issues raised by staff is whether the State can be assured that the environmental benefits will materialize and whether the land donations can be enforced, and we've heard them talk about that.

These questions again are primarily based on this hypothetical scenario, that the Feds are going to come in and federalize everything.

PXP, TPL and EDC have already fulfilled a number of key conditions to make all of these donations occur.
The biggest impediment left for your approval -- or the biggest impediment left is your approval of these leases.

Ensuring enforceability is one of the environmental coalition's chief goals during our discussions. The agreement negotiated by PXP and EDC contains multiple layers of enforcement to ensure that the agreement is upheld. EDC can take PXP to court if, at any point, the coalition determines that PXP has not lived up to the agreement. This extends to PXP's commitments to shut down our platforms and onshore facilities and make the land donations.

Removal of the onshore facilities that serve the platforms are added assurance that the intent of the agreement will be upheld. The suggestion that the federal government will override the agreement in 14 years and try to confiscate these facilities is farfetched and, as counsel already mentioned, speculative.

On January 6th, Deputy Attorney General Alan Hager testified that while such a scenario is theoretically possible, he was not aware of any circumstance where the federal government had condemned an onshore oil and gas facility in another jurisdiction - a State jurisdiction or County - for the purposes of furthering specific management goals of federal offshore facilities. It just hasn't happened.
PXP has also worked with EDC, since the release of the staff report, to identify areas to strengthen the State's ability to enforce the agreement. We're proposing two solutions:

One is we propose to waive our right for a lease extension. And we would do that with -- if we need, with the upcoming Coastal Commission hearing.

First, PXP is willing to accept that lease condition I mentioned. And, further, we're willing to bind that on all our successors.

Secondly, we've agreed to amend the environmental coalition agreement, which we've provided to staff this past week, to give the State Attorney General the authority to enforce the agreement just the same as the environmental groups can.

The additional assurances provided by these additional enforcement measures address any hypothetical scenarios one can imagine concerning enforcement of land donations and facility closures.

The second primary issue raised by staff is the approval of a new lease would run contrary to the resolutions of the Commission that has adopted for calling for the federal government to ban offshore drilling. We believe exactly the opposite is true, and that the underlying theme of our application is in full alignment.
with that policy goal.

The environmental coalition agreement adjoining this lease application provides the Commission for the first time in 40 years, the anniversary of which was yesterday, a tool to ensure the policy goals embraced in your resolutions are achieved. Even if one wants to cite enforceability concerns with the agreement, one cannot and should not deny that the underlying purposes of the application moves the Commission closer to its goal, not further. The Commission has the ability to attach whatever policy statements they wish to the approval to ensure actions here today are not misinterpreted by third parties. You can make that very clear.

With the added enforceability clauses we're offering, there should be no doubt that this application is consistent with those resolutions.

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MR. RUSCH: Now, for a greenhouse gas emission, I just wanted to mention a couple things, because right before the meeting we resolved some differences on the greenhouse gas mitigation that we proposed -- which I think we've resolved. We do agree to mitigate greenhouse gas emissions, become carbon neutral, and actually by virtue of the program we're offering, would have an excess of greenhouse gas offsets. So, yes, it's more than just
offsetting the project emissions.
And then that's -- I'll keep it at that. But
basically we -- you know, we had a commitment to be carbon
neutral and we modified the conditions to ensure that that
takes place.

--o0o--

MR. RUSCH: In closing, PXP's proud that we forge
a collaborative path with EDC and other key stakeholders
of the environmental coalition that will be appearing
before you today.
The MMS is, in fact, fully cooperating and has
cooperated throughout this process, which certainly
doesn't sound like the boogeyman that's going to take over
and federalize the onshore facilities at any point in
time, as they never have. And they've issued the
conditions to an RUE that are consistent with the
regulations.
Furthermore, all the lease issues, as I
mentioned - the greenhouse gas being one of them - the
draft lease issues have been resolved. It's ready to be
signed.

There's no increased risk either of a spill, as I
mentioned. It's the same as if the project wasn't
approved. As Commissioner Sheehy mentioned, there's oil
flowing through that pipeline, there's going to continue
to be oil flowing through that pipeline. And as I
mentioned, through our integrity program and other things,
it's got another 100-year life on it. So that's the most
probable source of any incident, and now it's gone now.

So the State will share significant financial
rewards and the citizens of California will receive almost
4,000 acres of coastal lands. We firmly believe that the
approval of this project is, in fact, overwhelmingly in
the best interests of the State in every sense of the
term.

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MR. RUSCH: Without approval, none of the
benefits will take place that we see here. This is a
once-in-a-lifetime opportunity. You know, personally it's
a once-in-a-lifetime opportunity to have taken on a group
that, I mentioned before, that was opposed for decades in
Santa Barbara county. And having worked in the channel
for almost 30 years.

I think this is truly a unique opportunity for
the Commission, and that you take - and I know you will -
take serious consideration to all aspects of this lease
and not rely on speculative hypothetical scenarios when,
in fact -- I truly believe, as also a guy from Berkeley,
that this is in the best interests of the State and truly
is good for Californians environmentally, but also
fiscally. I mean, there are some huge benefits to the State from a fiscal standpoint.

So with that, I ask you approve our application in front of you today.

Thank you.

CHAIRPERSON GARAMENDI: Thank you very much.

Does that complete the testimony from PXP?

MR. RUSCH: Yes, sir.

CHAIRPERSON GARAMENDI: Thank you.

ACTING COMMISSIONER SHEEHY: I have a question.

CHAIRPERSON GARAMENDI: Tom has a question.

ACTING COMMISSIONER SHEEHY: Yes. Thank you, Mr. Rusch.

With regards to the hypothetical enforcement scenarios that were laid out by the State Lands Commission staff, they laid out a number of different scenarios under which the federal government could exercise its power over the State to prevent you from completing your agreement with EDC. Now, how thoroughly has your company, your attorneys studied and researched those particular threats? And I'm wondering if you can share any thoughts with us on where you think the biggest threat is.

MR. RUSCH: Well, I think, as I've answered, looking at it as a threat, as you mentioned, if the leases aren't approved, operations will continue and spill risks
will go up. The threat to this project, personally I believe that it is -- it signals how California can be creative, how California can be a leader in a scenario where there's a lot of forces that are trying to -- you know, the whole OCS moratorium debate -- but specifically to the issues -- I'm sorry -- specifically to the issues that you addressed, Mr. Sheehy, we have looked at it. And that's where we disagree with counsel and feel that there's been a whole case established here that's extremely speculative.

And, sure, the sky could fall in. But the layers of enforcement: We're going to have end dates with the Santa Barbara County permit end date; should the Commission choose to establish an end date with the leases, which is in the current draft lease; we go to the Coastal Commission, we've asked for an end date there. So you have three different State agencies that you'd have to unlayer this thing, or the MMS would I guess have to, you know, contest. And for all indications we've had, MMS is not taking an interest in what is happening outside of their jurisdiction. They've simply been handling things within their jurisdiction.

ACTING COMMISSIONER SHEEHY: Mr. Rusch, I'd like to know, has the federal MMS contacted your company or are you aware of any contact they've had with EDC, and
expressed any of the concerns that this State Lands
Commission staff has pointed out about these threats?
Have they come and said, "Look, if you do this agreement,
you're not going to be able to shut down. We're going to
exercise eminent domain"?

MR. RUSCH: Absolutely not.

ACTING COMMISSIONER SHEEHY: Have they done
anything to lead you to believe that they would actually
take action to prevent you from completing this agreement?

MR. RUSCH: To the contrary. That has not --

ACTING COMMISSIONER SHEEHY: Okay. Now, I'd like
to ask Deputy Attorney General Hager a question.

Mr. Hager, at our meeting on January 6th, I asked
you a question if you were aware if in this country's
history, the federal government had ever exercised eminent
domain on an oil facility. I believe your testimony was
that, to your knowledge, the answer was no; is that right?

DEPUTY ATTORNEY GENERAL HAGER: That is correct.

ACTING COMMISSIONER SHEEHY: Now, since then in
the research that you've done, have you been able to
uncover any instance where the federal government has
exercised this type of eminent domain, Mr. Hager?

DEPUTY ATTORNEY GENERAL HAGER: I have not. I
think this is a unique situation probably and it's very
hard to find anything in legal precedent that would
ACTING COMMISSIONER SHEEHY: Thank you very much, Mr. Chairman.

CHAIRPERSON GARAMENDI: A couple of follow-up questions of Lands Commission staff.

Have we been in discussion with MMS?

EXECUTIVE OFFICER THAYER: Yes, I spoke with -- staff has been in discussions with MMS right along. And I spoke personally with Ms. Aronson, who's the regional -- I forget the title -- director for MMS, and she's here in the audience if there's any questions.

CHAIRPERSON GARAMENDI: What was the nature of those discussions and the result of those discussions?

EXECUTIVE OFFICER THAYER: We asked -- certainly, I've asked her and staff has questioned them as to whether or not -- what their position was on the federal end dates. And the response I got was that this was -- those federal end dates were inconsistent with the terms of the lease -- the federal lease with PXP, and that MMS wouldn't be inclined to approve an early halt to production from these federal leases.

CHAIRPERSON GARAMENDI: Now, a question of PXP.

Does the agreement call for the removal of the platforms or the termination of operations on the platforms?
MR. RUSCH: The cessation of production, because there's a, you know, NEPA process for, you know, removing -- just like CEQA in State waters -- from removing platforms.

CHAIRPERSON GARAMENDI: So the agreement does not call for the removal of the platforms, only the cessation of operations on the platform?

MR. RUSCH: And application for removal of the platforms.

CHAIRPERSON GARAMENDI: Do you own the platforms?

MR. RUSCH: We own Platform Irene, from which this project will be prosecuted.

CHAIRPERSON GARAMENDI: Does the agreement involve other platforms?

MR. RUSCH: Yes.

CHAIRPERSON GARAMENDI: Do you own the other platforms?

MR. RUSCH: PXP is not responsible for their removal.

CHAIRPERSON GARAMENDI: Is there any agreement and any understanding about the removal of those platforms that you do not own?

MR. RUSCH: I'm sorry, could you ask that again.

CHAIRPERSON GARAMENDI: Do you have any agreement with the owners of the platforms that you do not own for
MR. RUSCH: I think that if you look at -- and it will be spoken to by Linda Krop with EDC and supporters of this group is that --

ACTING COMMISSIONER SHEEHY: I'm sorry. I can't hear the witness. Could you please speak up.

MR. RUSCH: Yes, Mr. Sheehy. Sorry.

As you'll hear from Linda Krop and the other supporters, and as they have divulged in press releases back in April when this agreement was formed, that the agreement between EDC and PXP results in the cessation of production from the three plat -- the four platforms in the OCS and that the layers of protection in place are there to ensure that that moves forward, which in the case of Platform Irene, lands are donated and therefore there's no longer onshore facilities produced from Platform Irene.

CHAIRPERSON GARAMENDI: My question goes to the platforms themselves, to the physical platforms.

The agreement essentially deals with the production from those platforms?

MR. RUSCH: Correct.

CHAIRPERSON GARAMENDI: But not with the removal of the platforms other than a requirement that PXP apply for -- or begin the application process to remove the platforms?
MR. RUSCH: Correct. But the logical extension of that, Mr. Chair, is that there's no production, there's no onshore facilities, so there's a platform with nowhere to produce to; and, therefore, those that have a responsibility in the case of Point A would move forward with abandonment. As in Platform Irene, PXP would proceed with abandonment of the platform itself.

CHAIRPERSON GARAMENDI: Now, with regard to the production of oil from the federal leases, you, in this agreement, would cease production of oil from the federal leases, is that correct, as of 2022?

MR. RUSCH: Um-hmm, which is the end date, if you will, or the projected end date actually of the Point Pedernales field production, correct.

CHAIRPERSON GARAMENDI: Has MMS agreed to the cessation of production from the federal leases?

MR. RUSCH: I think Paul just testified to that. Again, it comes back to the layers of protection. If you don't have onshore facilities, you don't have production, there's nothing left to do for that platform. We would proceed --

CHAIRPERSON GARAMENDI: My question is very specific. Has MMS agreed to cease -- that you cease production?

MR. RUSCH: No. And my point being that -- and
we went into this. And I think, as the State staff found, is that the MMS has a conservation resources mandate, and in our negotiation with the Environmental Defense Center, we had to get creative in how we would apply the layers of protection to ensure that the logical outcome would be the removal of those four platforms.

CHAIRPERSON GARAMENDI: My question goes to the speculative nature, as you describe it, of the concerns of the staff. It appears as though from the testimony received thus far that there is no agreement with the federal government that the production of oil from its leases -- from its area would cease, and whatever revenue may be forthcoming from the federal government, at that time, would cease without their permission.

In your contract with the federal government today, do you have a requirement to continue to produce oil from the platform?

MR. RUSCH: Just a second.

You know, PXP has the right to surrender the lease at any time, in this case the MMS federal leases.

So between the combination of, as I mentioned, the protection of removal of the onshore facilities and the cessation of production and the abandonment -- we have abandonment liability of each of those well heads, that along with the ability to cede the lease to the federal
government and essentially close out those four platforms.

CHAIRPERSON GARAMENDI: I appreciate that information, but my question was not that. My question is, in your agreement with the federal government that you acquired from the preceding company, is there a requirement to make best efforts to produce oil?

MR. RUSCH: Yes.

CHAIRPERSON GARAMENDI: There is. Okay.

John, did you have a question?

ACTING COMMISSIONER SHEEHY: Oh, I'm sorry.

COMMISSIONER CHIANG: No, go ahead, Tom.

ACTING COMMISSIONER SHEEHY: I have a follow-up question.

With respect to the other platforms, where does the oil that they produce go, the other three that the Chairman was referring to?

MR. RUSCH: They go to the onshore facilities at Gaviota.

ACTING COMMISSIONER SHEEHY: Is that the same facility that the oil goes to from Platform Irene?

MR. RUSCH: No. Two different facilities.

ACTING COMMISSIONER SHEEHY: And the facility that they go to, is that facility part of this agreement or not?
MR. RUSCH: It's not part of the lease.

ACTING COMMISSIONER SHEEHY: But what I'm --

MR. RUSCH: It was part of the EDC-PXP agreement, yes.

ACTING COMMISSIONER SHEEHY: There's the -- one of the components of your agreement with EDC is to shut down that onshore facility but not this other one?

MR. RUSCH: Both.

ACTING COMMISSIONER SHEEHY: Both.

MR. RUSCH: Both facilities, yes.

ACTING COMMISSIONER SHEEHY: Okay. So the question then is, if both of those facilities are going to be shut down, where would the oil go if somebody were trying to force it to continue to be pumped? I mean, where would the oil go?

MR. RUSCH: It would have nowhere to go, and we would release the leases.

ACTING COMMISSIONER SHEEHY: So under that scenario, there wouldn't be any more drilling on those platforms?

MR. RUSCH: No, there can't be.

ACTING COMMISSIONER SHEEHY: I just wanted to make sure I understood that.

Thank you.

CHAIRPERSON GARAMENDI: John.
COMMISSIONER CHIANG: Can you elaborate further on your basis for confidentiality of this agreement. I understand there's -- for business purposes for some of the reason. We have a significant issue here. These are public lands. This is for a public use. And I am concerned that we do not fully disclose to the public the basis by which we make this decision. So I need to get a better sense --

MR. RUSCH: Well, yeah. A couple weeks ago I asked staff that same question, does release of this document, meaning the agreement, have an effect on the staff's review of the conditions in the agreement? Which we have -- we and the EDC have released, which we have all said all the components of that agreement, which they've been privy to, have been looked at by staff and we believe are there -- are in place or can guaranty, as I was being questioned by the Chair, that production will cease and the platforms will go away.

So it becomes a question of, yes, there's -- or we've kept the agreement confidential, but the components of the agreement that apply to what we're trying to get to, which is the cessation of production and, old point, removal of the platforms have already been disclosed. Part of my response would be, kind of as a follow-up to that, because I understand why you're asking, is --
COMMISSIONER CHIANG: Steve, if I could help you.
I think it's difficult for anybody who wants to
make meaningful participation in a system of public
governance to add critical commentary - critical, not in a
negative nature, it could be very positive in commentary -
if they don't have the opportunity to review the
documents, right? You know, we have people who have been
long involved with this issue who have significant
substantive expertise who can add meaningful dialogue.
And I understand, you know, the critical nature of keeping
your competitive advantage in terms of a business nature.
But, you know, we're at a significant step back to get the
best ideas on this project without full public
participation.

MR. RUSCH: And, Commissioner, again, kind of
just repeating myself, is -- and Linda Krop with EDC, who
will be speaking after me, can also address that issue --
is at least today if we chose to keep that document
confidential, but -- and other than we've released it to
your staff to ensure that there wasn't anything in that
document that wasn't being disclosed that was appropriate
and applicable to this lease, and they found that it
wasn't, that there wasn't a reason to release that
document for further review on scrutiny of -- or a review
of things or wording applicable to the lease at hand.
That's really the sole reason, is it's been disclosed what's in the agreement, it's appropriate for the lease that's in front of you.

EXECUTIVE OFFICER THAYER: I just want -- I'm not quite sure what Mr. Rusch was saying. But if the Chair may let me say that we've -- staff and the Commission has consistently said that we wanted to see it public. So I'm not quite sure the point you're making about staff's review and its ability to review it. We appreciate the opportunity to review it. And based on that review, we've reached the conclusion we have. But we have never said that it's fine for us to -- for just us to have it. We've always said we thought it should be released publicly.

MR. RUSCH: I guess I misunderstood, you know, my conversation with staff in that regard, because the question that I asked, was withholding the release of this document in any way going to impact the decision that the staff was going to make? And the answer was no.

EXECUTIVE OFFICER THAYER: In terms of our personal evaluation, that's correct. But, again, our position has been uniform that from a public perspective, the same one enunciated by the Commissioners, that we believe that that should be made public.

Now, with respect to staff's own evaluation, we had a copy of it, we made our evaluation based on that,
that's correct. But we have never said that we didn't think it needed to be released to the public. We, in fact, on numerous occasions asked you and Linda Krop for permission to release it to the public and have been routinely denied.

CHAIRPERSON GARAMENDI: I think we'll let the debate back and forth -- we'll let that portion of the debate lapse.

Linda Krop will be along shortly to testify.

And our court reporter is about to have a workers' comp claim if we don't give him a break.

(Laughter.)

ACTING COMMISSIONER SHEEHY: Are we taking a break, Mr. Chairman?

CHAIRPERSON GARAMENDI: We're going to take a ten-minute break.

(Thereupon a recess was taken.)

CHAIRPERSON GARAMENDI: Okay, everyone. I know you're still debating this issue and it's going to go on for a little while. We're going to move along here. Take your seats, please. I can assure you that this deal is not going to be completed or done by any of you that are in the audience. It's going to be done by the three gentlemen here at the table. So sit down and let's get to work.
PXP has requested another three minutes to take
up an issue and to provide some clarification. So let's
go with that.

MR. RUSCH: Commissioner Garamendi --

CHAIRPERSON GARAMENDI: Thank you, all. Those of
you in the back of the room, please.

Go ahead now.

MR. RUSCH: Sure. Commissioner Garamendi, I
think should the Commission choose to move forward with
the lease approval, we've talked with EDC and are willing
to disclose the EDC and PXP agreement. So to address your
question, Commissioner Chiang, that would be something
that we'd be happy to do.

And with that, I'd like to turn it over to my
CEO, Mr. Jim Flores, for a few words too.

Thanks.

CHAIRPERSON GARAMENDI: Thank you.

MR. FLORES: Good afternoon, everyone, ladies and
gentlemen.

A couple quick points. My name is Jim Flores.

I'm CEO of Plains Exploration & Production Company. We've
worked diligently with everyone involved in this process
and have learned a tremendous amount, and we thank you for
it.

A few months ago we did release the EDC agreement
to the staff for their review. And they have reviewed it thoroughly and so forth and have not commented to us about any problems or any aspects that would try to impede this process.

In our agreement with EDC, it was more of an understanding with guidelines, a framework of which we think would satisfy the environmental community and their needs and their wants and also put some type of framework - even the bar was very, very high - to mitigation. Because that's what this project's all about from a standpoint of -- is if there's no new environmental impact, the same pipeline, same rig, same wells - in fact, there's actually, during the life of the project, more carbon offsets pushed because we agreed to remove the Point Arguello platforms. And so from that standpoint, we wanted to get a framework of how high that bar was. And that's what the EDC agreement's about.

It's very, very high. And we said, "Well, let's just try to see if we can meet it." And meeting that bar, I think, was very enlightening to a lot of people here in California, but a lot of people around the country, is that this might be a new way of doing business. And that's why we're happy to be transparent on this and -- but by no means trying to be not transparent; that is, it is an agreement with a third party, EDC, and they have
their reasons, you know, that with other aspects of their world that they'd like to keep it confidential. But as far as PXP, we're happy and have been happy, as I told you guys back in the spring when we met with you, to release that agreement and you guys to see everything we're doing.

And along the lines of transparency, the abandonment of the platforms. We have three platforms at Point Arguello in which we're operator and we own working interest in. But we do not own the actual platforms themselves. Upon cessation of production, we have 18 months on our agreement with Chevron and Phillips, who own the platforms, to plug and abandon all the wells and flush the flow lines clearly and prepare the platform for cold storage; and at that point in time, work with Chevron and Phillips and all the government officials, both MMS and State, toward their removal and on whatever schedule that's deemed appropriate by those authorities, and that we're prepared to stand with our partners, Chevron and Phillips, and accomplish.

On Point Pedernales field, the Irene Platform, we do own that a hundred percent, Plains Exploration & Production Company. And we're a company with the financial capabilities of removing that platform once production has finished in 2022. And we plan to do so forthwith. And that's in -- you know, it's stipulated in...
the EDC agreement. But it's not in any agreement with the
MMS.

And the reason why we thought this relationship
between the State, MMS, and PXP was so important, because
you've got what appears to be a stool, and all three
cannot survive in this -- in the Platform Irene Point
Pedernales production scenario without cooperation. For
instance, if the MMS doesn't cooperate, the State and PXP
can't drill Tranquillon Ridge. If the State doesn't
cooperate, then MMS cannot produce -- I mean, it can't
have its Irene production, because PXP can't stand -- not
cooporate with the State. So all three have to cooperate.

So in the year 2022, when this agreement and the
lease -- the lease expires at Tranquillon Ridge, the
permits on the gas plant expire, all State and County
permits expire, and this is going to be emboldened upon
this body here at that point in time and the County of
Santa Barbara and EPA and all the regulatory commissions
here in California to abide by these landmark hearings and
set -- and stop all production without any grant -- need
of renewals or extensions or whatever.

Now, I beg to guess that no one in this room will
be on those commissions. Okay? It will be brand new
people and so forth. And that is an unknown.

CHAIRPERSON GARAMENDI: We hope you're right.
MR. FLORES: And includes me too, I mean.

MR. FLORES: So, you know, it has to be the intent of the Commission that this -- and the intent of PXP and the intent of the State, County and also -- to cede production.

MMS is going to protect its interests. And its interests are continuing to harvest the resources of the ocean and under the code of the MMS. I think that is different than the State's protectionism of its resources and its coastline. And it's certainly different than PXP, where it wants to economically and safely and responsibly make a profit in this state. And under the way it's structured in the abandonment of the leases, we would not be able to do that beyond 2022, nor would anybody else. Oil prices, because of the way the royalty has been scheduled, cannot help you. There's not any economic incentive to go forward beyond that aspect even if we had the permits.

So I wanted to clear up those two points. Be happy to answer any questions. But I also wanted to also repledge our transparency that has gotten us to this point so far - PXP - in our commitment to doing it right.

CHAIRPERSON GARAMENDI: Thank you for that.
The public has not had an opportunity to review the document. Our staff has. And that, as the staff has said, led them to opine, as they have, with their concerns that they expressed earlier.

I do have a question about the Gaviota facility that came up here a few moments ago.

Do you have partners in that facility?

MR. FLORES: We own, I think, 120 acres there, John, out of the probably 180 acres that's in the facility and so forth. Yes, we have partners in that facility, and we have received approval from all partners to abandon these facilities and the platforms and conduct the operations I talked about. So we have that secured.

CHAIRPERSON GARAMENDI: Thank you.

We appreciate your testimony. Thank you very much.

MR. FLORES: Thank you very much.

CHAIRPERSON GARAMENDI: We're going to move on now to hear from EDS and --

MS. KROP: EDC.

CHAIRPERSON GARAMENDI: Excuse me.

ACTING COMMISSIONER SHEEHY: So I'm not the only one that's doing that.

(Laughter.)

MS. KROP: Well, we'll change our name if it gets
an approval. We'll be whoever you want us to be.

Thank you, and welcome to Santa Barbara.

(Thereupon an overhead presentation was
Presented as follows.)

MS. KROP: First, I would like to express our
appreciation for you holding the hearing here. I know
that's quite a logistical challenge and scheduling
challenge. But you can see there's a lot of interest, and
so we do appreciate that.

CHAIRPERSON GARAMENDI: Now, Mr. Chiang and I
both represent the statewide interests of California. And
I must tell you, it's always a pleasure to be in Santa
Barbara, and every other city in the state when we go --

(Laughter.)

MS. KROP: I heard Santa Barbara --

CHAIRPERSON GARAMENDI: Go ahead, Linda.

MS. KROP: I think this is being taped.

(Laughter.)

CHAIRPERSON GARAMENDI: I know it is.

(Laughter.)

MS. KROP: I'm Linda Krop, Chief Counsel of the
Environmental Defense Center, an organization that has
been protecting the environment through education,
advocacy, and legal action for over 30 years. Our clients
in this case are "Get Oil Out!" and Citizens Planning
Association, both of which have worked really hard for the last 40 years to protect our coast from offshore oil and gas development. Together we defeated the first Tranquillon Ridge project in 2002.

However, we are here today joined by over 20 other environmental groups from around the state, including the Sierra Club and Surfrider Foundation and others, to ask you to support this Tranquillon Ridge proposal. And some folks around the room have some green plates to show their support.

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MS. KROP: We support this project because it will result in the shutdown of four existing federal platforms and two onshore processing facilities.

Without this agreement, these facilities can be operated indefinitely, threatening our coast with serious impacts and perpetuating global climate change.

This project is consistent with the California Coastal Sanctuary Act and will benefit the State of California by terminating existing offshore oil production, guarantying carbon neutrality for greenhouse gas emissions, providing additional funds to further reduce such emissions in Santa Barbara county, and conveying approximately 4,000 acres of land for public conservation purposes.
The timing of this hearing is auspicious. Forty years ago we had a major oil spill that blackened our beaches. We thought that spill would put an end to offshore oil and gas development. Instead, our community has experienced more leasing and more development. You see that we still have about 20 platforms off our coast today. What most people don't realize is that these platforms don't go away.

It has taken 40 years. Who would have believed it, but we finally have the opportunity to realize our dream of getting oil out.

Last week my five-year-old nephew was asked by his kindergarten teacher what he would do if he were President of the United States. He said he would get rid of all the oil platforms.

(Laughter.)

MS. KROP: I don't know where he got that idea.

(Laughter.)

MS. KROP: And he lives in Redwood city. I don't think they have oil platforms there.

The simple issue before you today is, are you going to take that step today or do we have to wait another 40 years for Skyler to grow up?

You may hear a concern today that approving this project will set a bad precedent by opening the door to
more development. In actuality, the opposite is true.

First, approving this project will not open the door to
more development in State waters, because under the
California Coastal Sanctuary Act, this is the only place
where drainage occurs that would allow new leasing.

In addition, this project will actually reduce
the threat of more federal leasing, because the critical
infrastructure that would support such leasing these
platforms and onshore facilities will be shut down.

The real precedent that would be set is this:
For the first time in the State's history, the public and
the State will be able to shut down existing oil
production.

Without this project, Platform Irene and the
three Point Arguello platforms will continue drilling for
oil indefinitely, perhaps for another 40 years. With this
project, three of these platforms will be shut down in
nine years and one in 13 years.

And I want to impress this next point. This is
not a question of oil or no oil. Those platforms are
there, and they're drilling and they're already draining
State resources. So it is not a question that you can
just do nothing and that they're just going to magically
go away.

You may also hear a concern that these end dates
are not enforceable. And we have heard that concern. And, again, we don't believe this to be true. For the environmental groups, groups like "Get Oil Out!" and EDC and CPA and the Sierra Club and others, this agreement had to be enforceable. And we have five layers. We have the environmental agreement, the Trust for Public Lands agreement, the County permit, and then the two State agencies and their approval should they go in that direction.

In our agreement -- and the terms of our agreement have been public since April. Under our agreement, we can actually shut down the production from the platforms; we can shut down the production at the onshore facilities; we require the land to be conveyed; we require the Tranquillon Ridge leases to be quitclaimed to the State. All of those can be enforceable by specific performance in a court of law. PXP has agreed to all of that.

In addition, we have given the State Attorney General the authority to enforce our entire agreement, all of those provisions.

And then, finally, there was a concern that a future State Lands Commission could amend these end dates in a future lease decision. And PXP has agreed to waive that right. So we don't have to worry about that anymore.
So we do believe that we have an airtight agreement and that the State can play a critical role in that.

Finally, we have also heard a concern that the Minerals Management Service could undo these end dates in the future. And as was mentioned at the January 6th hearing, that's a very unlikely event. What MMS will be looking at is what is left in the Point Pedernales and Point Arguello units. And we believe that with the end dates that have been set, that that won't be an issue at that time. In any event, to our knowledge, that's never happened in the nation's history, and we believe it's a very remote possibility.

So what you're left with is, if you don't approve this today, we know the platforms are going to be there. If you do approve this today, we have the end dates and some very uncertain remote possibility that that could be undone in the future by a third party.

I want to just highlight what the choices are for you here today.

And let's see. Is this for the slides?

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MS. KROP: So here's your choice. It's really quite clear. If you approve this project, three platforms in federal waters shut down in 2018 and one in 2022. If
you deny the project, these platforms continue drilling
indefinitely, and they can be used to support new federal
leasing.

And can you go to the previous slide, please.

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MS. KROP: What we're talking about are these
four platforms here. These are the three Point Arguello
platforms. Here's Platform Irene. Here's the Gaviota
onshore facility and the Lompoc onshore facility.

Now, these platforms are really critical in terms
of federal leasing, because you'll see there are some
existing, but undeveloped, federal leases. There are also
some unleased tracks in here. And this has been the
target for proposed new federal leasing offshore
California. This is the bull's-eye. And so that's why we
are so concerned about shutting down production from these
platforms, so that we can actually avert more federal
leasing, consistent with the prior resolutions and
positions of this Commission.

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MS. KROP: Okay. In addition, if you approve the
project today, the Gaviota plant shuts down in 2018 and
the Lompoc plant shuts down in 2022. If you deny the
project, these facilities will be available to continue
supporting offshore oil and gas development and, as I
mentioned, support new leasing and development.

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MS. KROP: If you approve the project, another
benefit we got was that hundreds of acres of onshore oil
wells in the Lompoc area will also be shut down in 2022.
Without the project, they will continue developing
indefinitely.

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MS. KROP: With project approval, 3,900 acres of
land, including the lands containing these onshore support
facilities and wells, will be conveyed to the public for
permanent preservation. If the project is denied, these
land and facilities will remain available for oil and gas
development indefinitely.

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MS. KROP: If the project is approved, 3,700
acres will be conveyed to the public adjacent to the
State's existing Burton Mesa Ecological Reserve and up to
200 acres will be conveyed on the Gaviota Coast and could
be added to the State Park System.
Without approval and with denial, all of the
lands that are currently unencumbered with oil facilities
will be available for private development. And, in fact,
there's already been one proposal for a major subdivision
on these lands that will not happen if this project is
approved, and there will be no public or conservation purpose.

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MS. KROP: If the project is approved, there will be an independent audit conducted to identify measures for reducing greenhouse gas emissions. And these reductions will apply to current operations as well, because we’re talking about the same facilities and equipment. There’s no new construction required for this project. So we actually may end up with a net benefit and reduction of greenhouse gas emissions if this project goes forward. A denial will result in continued emissions from the existing operations.

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MS. KROP: And, finally, there will be an initial $1.5 million for extra greenhouse gas emission reductions that will be administered by the Santa Barbara County Air Pollution Control District as part of a transit bus technology program. That will further reduce greenhouse gas emissions as well as criteria pollutants, which will have an added health benefit.

If the project is denied, there will be no funding for emission reductions.

So, in sum, the choice is clear. We can shut down existing oil production and help stop new federal
leasing in one fell swoop. This action is consistent with
the State's opposition to new federal leasing. Or we can
say no and these platforms will continue to operate
indefinitely, threatening our coast with oil spills and
pollution, and facilitating more federal leasing.

The question we ask today is, will we be better
off with or without this project?

In closing, it's one thing to say you're against
oil development; it's another thing to actually be in a
position to do something about it. You have that rare
opportunity today. We urge you to vote "yes" and adopt
the findings contained in Exhibit G to your staff report.

Thank you. And I'm available for questions.

(Appause.)

CHAIRPERSON GARAMENDI: Linda, thank you very
much for your testimony and also for an extraordinary
piece of work. It's beyond denial. In fact, it's a fact
that you've done an extraordinary piece of negotiating a
very good agreement, but one that our staff and others
think may have some additional things to be done.

Also, I appreciate you making available to the
general public the agreement. And that I'm sure the
public will appreciate an opportunity to look at that.

Tom, did you have a question?

ACTING COMMISSIONER SHEEHY: Thank you, Mr.
Chairman.

Linda, I'm advised that you went through this whole process and we went through this whole process, specifically the CEQA process, and there was never any litigation. Was that true? There was -- nobody tried to litigate this thing as it went through CEQA?

MS. KROP: That's correct. We had two hearings at the County last year. And my recollection is that the only opposition was from a couple other oil companies. And they did not file any litigation of the County approvals.

ACTING COMMISSIONER SHEEHY: And who was the lead CEQA agency? Who was the lead agency for CEQA?

MS. KROP: County of Santa Barbara.

ACTING COMMISSIONER SHEEHY: So the County of Santa Barbara was the lead agency.

You know, I find it hard to believe that, you know, you would have got through the CEQA process here without litigation being filed on an offshore oil drilling project in California. How do you think you managed that?

(Laughter.)

ACTING COMMISSIONER SHEEHY: How'd you do it, Linda? Because, you know, my next follow-up question is is whatever those --

MS. KROP: I think that's a compliment to the

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
County.

(Laughter.)

ACTING COMMISSIONER SHEEHY: No, whatever those skills are that you used to get there, you know, we could use those in Sacramento to get the Republicans and the Democrats to come together and balance the State budget. So I'm just wondering, how'd you do it?

(Laughter.)

MS. KROP: Believe me, it's been a long strange trip.

(Laughter.)

MS. KROP: I think -- you know, in representing our clients and working with other environmental groups, we were very clear from the beginning what our goals were. And we had already defeated a prior proposal that was undertaken by Torch and Nuevo. And we had registered opposition to PXP's proposal. And the reason for our opposition was that, according to the environmental review, drilling into the Tranquillon Ridge would extend the life of all of these existing facilities. And that was something we objected to.

So when PXP came forward and said, you know, "We'll make sure that doesn't happen," then we realized that there was no new construction, no new impacts, and this incredible opportunity to, not just shut down the
Tranquillon Ridge related facilities, but when they put the Point Arguello and Gaviota facilities on the table, that's when we started talking. Just shutting down Platform Irene would not have been enough. But being familiar with that entire area -- and a lot of us in this room actually fought against those Point Arguello platforms going in in the 1980s. And this is, like I said, it's a dream come true that in nine years they could be shut down.

ACTING COMMISSIONER SHEEHY: Linda, are you aware of any other oil company in this country or operating in this country that has executed an agreement with the same degree of environmental benefits as California would get from this project? Has this happened anywhere else in this country?

MS. KROP: I don't think so.

ACTING COMMISSIONER SHEEHY: Okay. The State Lands Commission staff is opposing this, in part because they identified a number of hypothetical scenarios that might happen with the federal government. I wonder if you could comment further on what your view on that is and whether or not you've had any communication, had any contact, if anybody in the federal government has contacted you expressing any of the concerns that the State Lands Commission staff has identified that could
somehow be a threat to your agreement?

MS. KROP: I have not had any communication from
the federal government regarding this arrangement. And,
like I said, with the end dates that are proposed, we
don't foresee any federal objections.

ACTING COMMISSIONER SHEEHY: Well, what guaranty
do we have as State Lands Commissioners -- if we were to
vote on this project one way or the other, what guaranty
do we have that your five layers of -- your five layers of
safety net, I think is the way you put it, or five layers
of agreement would then have to be broken through, what
guaranty do we have that those five layers will stay
intact?

MS. KROP: I think we have as much of a guaranty
as we can. I think the guaranty is that without this
project, we have a guaranty that these end dates are not
going to happen.

ACTING COMMISSIONER SHEEHY: Well, if this
project doesn't happen, aren't those federal fields
eventually going to be drained? I mean, wouldn't the oil
production eventually stop in 20 or 30 years anyway if we
don't do this? I mean, they can't keep drilling oil out
of there forever, right? I mean, eventually it would
stop, right?

MS. KROP: We think it would stop from these
federal units, the Point Arguello and the Point Pedernales units. And that's why we feel comfortable with intrusion from the federal government.

What our concern is is that we're trying to address the concern the State Lands Commission has also expressed about additional federal leasing or drilling into these other adjacent federal leases. That's what we're really concerned about, and that's why we think this agreement and this project would propose significant benefits.

ACTING COMMISSIONER SHEEHY: I see.

Now, Linda, I've heard some people suggest that if the State Lands Commission were to approve this lease, that, in fact, that would create some sort of trend, some sort of national trend where we'd start doing more drilling.

Do you see anything in this lease that would encourage that? And I'd like you to specifically address the California Coastal Sanctuary Act of 1994, the current law that governs this, in the context of your answer. I know you're an attorney. I'm sure you have an opinion on that, and I'd like to know what you think.

MS. KROP: Well, we were actually one of the original sponsors of that legislation and worked very closely with Senator O'Connell.
And that Act still imposes significant protections for the State. The exception that would be invoked today requires drainage of State reserves from a federal facility. This is the only place in the state where that occurs. So by issuing this lease, the State would not be opening the door to more leasing in State waters.

ACTING COMMISSIONER SHEEHY: Now, Linda, I'm glad you mentioned Senator Jack O'Connell, who's now, of course, our Superintendent of Public Instruction in California.

Now, isn't it true that Jack O'Connell used to represent Santa Barbara, this whole area here?

MS. KROP: Correct.

ACTING COMMISSIONER SHEEHY: Is that right?

MS. KROP: (Ms. Krop nods head.)

ACTING COMMISSIONER SHEEHY: And he's the one that carried the 1994 legislation, the California Coastal Sanctuary Act of 1994?

MS. KROP: Correct.

ACTING COMMISSIONER SHEEHY: Well, you know, he's the one that authored the specific provision that would allow this lease to go forward, the very narrow provision that would allow it to go forward; is that correct?

MS. KROP: That is correct.
ACTING COMMISSIONER SHEEHY: And if the State Lands Commission were to approve this lease, it doesn't do anything to change that law in any way or make it any easier to drill anywhere else off the shore of California, is that true?

MS. KROP: That's true, and we would never support that.

ACTING COMMISSIONER SHEEHY: I just wanted to make sure that I understood that properly.

Well, in light of all that, why do you think the State Lands Commission staff has recommended denial?

(Laughter.)

CHAIRPERSON GARAMENDI: That question might be better posed to the State Lands Commission.

(Laughter.)

ACTING COMMISSIONER SHEEHY: I'd like to hear what Linda thinks.

CHAIRPERSON GARAMENDI: Go ahead.

MS. KROP: I'm befuddled.

(Laughter.)

ACTING COMMISSIONER SHEEHY: So am I.

MS. KROP: Truly, I can't answer that question. I mean, I feel like we've -- I think that we've negotiated, you know, an historic agreement, that we've created an opportunity; it's yours to decide whether or...
not to accept it or not. But we believe that we have a
tiny window of opportunity here to protect our coast from
more oil development in the future. And we ask you to
take that opportunity.

ACTING COMMISSIONER SHEEHY: Thank you, Mr. Chairman.

CHAIRPERSON GARAMENDI: Thank you.

Further questions of Linda?

COMMISSIONER CHIANG: I do.

Linda, I thank you for your formidable work in this arena. I think we've all benefited.

I have a question. I want to get your best thinking. For me, it appears to be a shift of timing of risk, right? We've worried about for the long term, you know, the endless ability to drill for oil, right?

Reading the EIR, they indicate the potential spilled volume for an offshore spill would increase by 5,016 barrels, from 2,913 to 7,929.

Now, you said the probability of a rupture would increase from .6 to 9.7 percent. I don't know if you consider that significant or not. You know, you have a better sense than I. I would appreciate your analysis of that.

They had said the probability of oil leaks, ruptures, blowouts, spills from Platform Irene would
increase from 5.4 percent to 22.1 percent for the 30-year T-Ridge project.

They said the reduced T-Ridge project would increase the lifetime probability of spills from 5.4 percent to 11 percent. Right.

So there's a -- is it your view that accepting the short-term risk is better than the overall long-term risk and the potential -- and if you could assess the potential for harm?

MS. KROP: Thank you for the question. In our view, the risk is there right now. We live with that risk every day from all of the platforms off of our coast, including Platform Irene. Our goal is to stop that risk. And so if we can shut down that platform before it would otherwise shut down and withstand the risk of an oil spill in the future, then we do believe that that's a benefit.

COMMISSIONER CHIANG: Okay. So it's okay -- so the short-term greater harm is better than long term?

MS. KROP: No, not greater harm. A slight increase in the risk. You know, hopefully we won't have an oil spill. And actually the County Energy Division staff is here today. They could speak to you about what PXP has done at their request to upgrade the pipelines and the platform and the other facilities to reduce the risk of an oil spill.
COMMISSIONER CHIANG: Okay. Also, can you elaborate on that further. So are these numbers incorrect, that with the improvements made by PXP these numbers are, in fact, incorrect?

MS. KROP: I would -- no, that wasn't what I was saying. I was saying if you want more information on the oil spill risk, I would defer to the County of Santa Barbara.

COMMISSIONER CHIANG: Okay. Thank you.

CHAIRPERSON GARAMENDI: Linda, a moment ago you had a discussion with Tom concerning the additional drilling that could take place. That discussion seemed to center on the issue of additional drilling in California waters. The question of the current law and the protections from it. And your answer seemed to be associated with that.

Earlier, you had discussed the issue of, when you were showing the map over there, additional federal -- potential federal drilling in leases in the federal waters that have already been granted by the federal government.

A concern that I have is neither of those, but rather the possibility that those who want to see drilling off the coasts of California would use this lease as a signal that California is interested and willing to accept more drilling in federal waters and more leases in federal...
Could you comment on that concern that I have.

MS. KROP: Yes. Thank you.

Our response is that this project with these end dates drastically reduces the risk of more federal oil leasing. And when I've talked to our counterparts in Washington D.C., they have said that now that the federal oil moratorium has expired, our agreement is all the more important.

The reason being most of the pressure for new federal leasing would be developed from the three Point Arguello platforms, possibly some from Platform Irene. Under our agreement, they will shut down in nine years. That's not enough time to do a new five-year leasing plan, a lease sale, go through the exploration process, develop a development and production plan, and drill, as you know from your days in Interior.

So we believe that the biggest threat for leasing offshore California is right here, right off of Point Conception, and that we will help avert that threat through our agreement.

CHAIRPERSON GARAMENDI: I believe there's been some recent word out of Washington, particularly the Department of Interior, that they were interested -- you know, given a new administration in place, but,
nonetheless, interested in leases -- new leases off the Mendocino coast, the Orange county coast, as well as the Santa Barbara coast.

MS. KROP: Correct. And with respect to the Santa Barbara county coast, in the document it specifies specifically a proposal for new leasing that would be directionally drilled from these platforms. And so, you know, if you're the industry and you're looking at buying a lease, are you going to buy a lease where you have to build new platforms, new pipelines, and new processing facilities, or are you going to buy a lease where everything's in place and you just need to, you know, slant that well a little bit different direction? So that's why, you know, both politically, but as well as economically, we are very fearful for this section of the coast.

CHAIRPERSON GARAMENDI: Early on we had a discussion here about the removal of the platforms. The testimony that we received is that there's a subsequent process beyond this agreement, beyond this lease for the removal of platforms, the three that are in the agreement, and MMS's role that will be played out when that time comes. I've not heard anything today to indicate that there is any certainty that the platforms will be removed. If this agreement were to go forward and would be -- and
could be enforceable, then PXP would be out of it, the
onshore facilities would be presumably removed, but that
the platforms would remain and could be used by others for
the production of oil.

MS. KROP: Under our agreement, we cannot dictate
what happens to the platforms after abandonment. That's a
separate discretionary decision held by the federal
government. Under our agreement, even if the federal
government decided to leave any of the platforms in place
for alternative uses, like wind or wave or rigs to reef
purposes, that's something that, you know, there will be a
whole new application and environmental review process.
We cannot dictate that outcome.

What we can dictate is that they cannot be used
for oil and gas production. And we're actually in a
little bit better place if you want the platforms --

CHAIRPERSON GARAMENDI: That's different than I
heard before.

MS. KROP: Well, our agreement requires
production to cease.

CHAIRPERSON GARAMENDI: Well, your agreement is
with PXP, but not with the MMS.

MS. KROP: Correct.

CHAIRPERSON GARAMENDI: And MMS is the
controlling agency for those platforms, is that not
MS. KROP: MMS has authority over those platforms. And from the documents we've seen to date, what they have told PXP is that they will be looking at the resources within the Point Arguello and Point Pedernales units, and that their concern is that those resources not be stranded or wasted. And we believe with our end dates that we -- that those resource -- they will not be able to make that finding, and so that those platforms can cease production.

CHAIRPERSON GARAMENDI: So there is a question, an open question, as to the cessation of oil production from those platforms, and that, at the present time, it is MMS's call as to whether that is the case. Now, PXP, as they've said, could relinquish their lease -- I think you used a different word, but I think it's the same meaning -- but that another company could take it up and continue to produce.

MS. KROP: Okay. With our agreement -- if the State Lands Commission approves this project, with our agreement that immediately sets in play the responsibility of PXP or any successor to stop producing from these platforms by these end dates. When we reach those end dates, they are required to stop producing and we can enforce that. Your State

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Attorney General will be able to enforce that.

What we're hearing as a concern is a possibility that, at that point, MMS may do something that's never done before and condemn those facilities. And it goes back to, are we better off today with or without this project? Without this project, we know those platforms will be there and there will be no end dates. With this project, we will get some end dates, and what we think is a very insignificant risk.

CHAIRPERSON GARAMENDI: Okay. Then I will say that, in my view, there's a question as to what MMS will do. They are not a party to this agreement. They have an interest in the platform continuing to produce oil for the revenue for the federal government or for any other purpose that would be seen at that time. This agreement does not, as I look at it, force MMS's hand. They remain outside of it.

I do have a question for the Attorney General.

In the last three days, there's been a new part to the agreement between EDC and PXP that brings the Attorney General into an enforcement position.

Is the Attorney General required by that to enforce this agreement?

DEPUTY ATTORNEY GENERAL HAGER: No. It's a request that the Attorney General take part.
CHAIRPERSON GARAMENDI: And the Attorney General can therefore --

DEPUTY ATTORNEY GENERAL HAGER: -- do whatever the Attorney General wants to do.

(Laughter.)

CHAIRPERSON GARAMENDI: Thank you.

(Laughter.)

CHIEF COUNSEL FOSSUM: Mr. Chairman, I'd like to add to that. Because this is a private agreement between PXP and EDC, asking the Attorney General to enforce it is really asking for enforcement of a private contract. And, you know, I can't speak for the Attorney General, but I don't know what his standing would be to do that unless he felt independently that there was a public benefit from this, which they have, the private parties, determined what the State's public benefit was.

So I think there's some difficulty with that concept.

CHAIRPERSON GARAMENDI: I can assure you that my experience in working with the Attorney General's office is, as the Insurance Commissioner asking the Attorney General - not the current one - to take action enforcing what I thought was a State regulation, that they demurred. Now, this being a private situation, it would seem to me to rise even to a more significant question of whether or
not the Attorney General would enforce.

MS. KROP: May I respond to that?

CHAIRPERSON GARAMENDI: Please.

MS. KROP: And one of the criticisms that we dealt with was the fact that our agreement wasn't enforceable by the State. So we've offered to make it enforceable by the State. I think we've done as much as we can do on that. And we think that obviously the terms are in the public benefit, whether it's receiving land or ending offshore oil and gas production.

CHAIRPERSON GARAMENDI: Thank you.

Paul.

EXECUTIVE OFFICER THAYER: The one other point I'd make is that we never questioned EDC's capability of enforcing its agreement. In other words, it's got the staff, it's got the legal resources. But our concern was whether or not the legal framework was enforceable. And in our view, adding the Attorney General to the enforceable -- to the troops that were going to enforce the agreement doesn't change the legal context. It just brings more resources to bear on whether it can be enforced or not. But it doesn't make it more enforceable. It either is or isn't or whatever the situation is, no matter which of the attorneys are that are involved with it.
MS. KROP: Well, our intention was that there are some terms of our agreement that are not proposed to be in the lease. So we wanted to make sure that the State could still enforce those other terms.

CHAIRPERSON GARAMENDI: Again, it would be at the option of the Attorney -- insofar as the Attorney General's concerned, it is the option of the Attorney General to step up and to enforce or to choose not to.

ACTING COMMISSIONER SHEEHY: Mr. Chairman, I have a follow-up. I want to comment just on the -- or ask a question or I'm not sure -- about the comment that Mr. Thayer just made about the enforceability.

I can't question the point that you just made. I mean, I think you're factually accurate, that you're saying it doesn't make it more enforceable. But I think it goes to something that's far more important than that, which is, there's been a bar of enforceability set here; and I think that every time that EDC and PXP has met it, somebody's come along and raised it, says, "Well, now that you've done that, you've got to do this." And then they work and they scuttle around and they raise that bar, then say, "Let's raise the bar higher." Then they raise the bar higher and then they raise the bar higher.

And then your analysis came out with your recommendation. And then they went and they got the
Attorney General -- they brought the Attorney General into this. I mean, that shows me that PXP and EDC have bent over backwards. And every time an objection's been raised, they've worked towards a solution.

I feel as I've listened to this, I look -- I keep finding people that want to keep finding reasons to say it's not good enough, it doesn't work. And I want to know from Ms. Krop now, has MMS expressed any concerns to you about your agreement, have they said anything, "Well, we're going to take over those rigs if you do this? We're not going to let you shut down those onshore oil processing facilities"? If they had concerns, have they expressed any? I mean, I can't -- I mean, we don't have a crystal ball here. We don't know what's going to happen in 20 years. But I know what could happen next year. I'd like to hear what you --

MS. KROP: They have not expressed any concern.

And, in fact, they have been drafting a right of use and easement agreement for the project.

ACTING COMMISSIONER SHEEHY: And if they did find some other operator and keep drilling there, where would they process the oil? I mean, it's one thing to drill, but you've got to send the oil somewhere, right? Where would they send it? Where does the oil go?

MS. KROP: There is no other place.
ACTING COMMISSIONER SHEEHY: Unless they exercise -- what I've heard from SLC staff, exercise eminent domain to take over the oil processing facilities, right? That's the only way that would happen. Do I understand that correctly?

MS. KROP: That would be my assumption.

EXECUTIVE OFFICER THAYER: There was -- if I may. The other legal opportunity for MMS to prevent the onshore facilities from being taken down is that they -- PXP taking that action is as much an interference with the federal lease, it, in effect, is intended -- in fact, as Linda and PXP has said, the intent is to stop the offshore oil production, it's to frustrate the purpose of those federal leases. So, again, our attorneys believe that in addition to the eminent domain, that MMS can attack the closure of these facilities as an interference with their contract, particularly when it's being carried out by one of the members of their contract -- a party to their contract.

And so there's two grounds that we see as a problem for that.

And as I say, MMS is here. If the Commission wants to know what MMS thinks about these end dates and how it squares with their policies and what they might do with respect to approving the actions which are...
contemplated in this agreement, they can be asked.

The final point I would make is that in terms of raising the bar, the issues remain with the EDC agreement. These things that were added don't change the terms of the agreement or the terms of the legal context in which we're in. So staff, in its presentation, talked about, I think, four or five different ways that we looked at to try and improve the public benefit opportunities from this project and we looked to see if we could independently enforce these things ourselves. So we were looking for solutions as well, and I want to make that clear.

ACTING COMMISSIONER SHEEHY: I appreciate that.

But, Mr. Thayer, you know, we just had this hearing just three weeks ago in Sacramento, and we had a lot of the same players down there. And we spent a long time doing questions and answers. Unfortunately, the Controller wasn't with us, but his staff was. And the Lieutenant Governor ran the meeting. And we covered a lot of ground. You guys have been working on this for a really long time.

How many years has this been an issue?

EXECUTIVE OFFICER THAYER: Quite some.

ACTING COMMISSIONER SHEEHY: How many years?

EXECUTIVE OFFICER THAYER: The original application was in 2005.
ACTING COMMISSIONER SHEEHY: Okay. So it's been at least four years. And we had a full hearing on this just three weeks ago. Okay? And then subsequent to that hearing, I hear from your staff that there's this new issue about greenhouse gases, that somehow never arise. After I'd been privately briefed, where we've had these public hearings, it just -- I mean, I'm sure you've got a good answer for that. But I'm just saying the appearance to me is that the closer we got to getting issues resolved, that these new issues just keep popping up, and it's -- and I don't understand it. To me, I've just felt like it was -- there was an agenda behind that. And maybe what you're doing is, "Mr. Sheehy, the only agenda was to get as good an agreement as possible." And that's a perfectly acceptable answer. But there have been some optics here that I wasn't comfortable with.

EXECUTIVE OFFICER THAYER: Well, I, of course, regret that, because staff is trying to do its best for the Commission.

But with respect to the greenhouse gas issue, is something we hadn't raised with the Commissioners before, but we raised it in the December conversation with EDC and PXP. And EDC representatives said that they had done research to support the $10 a ton. We continued our research after that. And as it turned out, that the
original greenhouse gas proposal didn't deal with
electrical emissions. And when we talked with the local
air district staff about that, they didn't even realize
it.

So there are a number of entities that are
working on this. This is complex stuff. And as Steve
Rusch indicated, we think we've reached a resolution of
that. So we're not using this as an excuse to oppose the
project. And, in fact, on that particular issue we've now
worked our way through, so it's resolved.

ACTING COMMISSIONER SHEEHY: Good.

EXECUTIVE OFFICER THAYER: So, again, I can't
agree with the idea that you're suggesting - I think -
that staff is looking for more ways to kill this project
when we're --

ACTING COMMISSIONER SHEEHY: I can't assign
motives to your staff. All I can tell you is how it
appears after having been briefed and having had a long
public hearing on this with a lot of testimony just three
weeks ago. And then to have had a major issue like that
pop up at the last minute -- I can't and I won't assign
any motives to your staff. I'm just saying there was an
appearance issue that made me feel uncomfortable. And I'm
glad that you have very publicly gone on the record and
explained it. Thank you, Mr. Thayer.

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CHAIRPERSON GARAMENDI: Tom, I've been involved in this from the very moment that I became Lieutenant Governor. And the staff has been consistently clear about protecting the State's interest and to make sure that if this were to go forward, all of the issues were thoroughly investigated and handled.

The issue of greenhouse gases has been discussed for several months now. I know because I raised the issue, others raised the issue. And it's been part of the issues that this Commission and others have taken up. It's not a new issue.

The resolution apparently was achieved in the last couple of days. I've not had a chance, as Chairman of this Commission, to look at the details of the new, improved, perhaps complete, greenhouse gas issue.

Now, that's one thing.

And I think you're off base with regard to appearances.

Now, let us continue.

ACTING COMMISSIONER SHEEHY: Thank you, Mr. Chairman.

CHAIRPERSON GARAMENDI: Linda, if there are no further questions of you, I thank you very much. And once again, you've done a terrific piece of work, although, in my mind, incomplete, not for your fault but others.
MS. KROP: Thank you.

CHAIRPERSON GARAMENDI: The issue of MMS has come up here several times. And this hearing would not be complete without hearing from MMS. If there's a representative from the Minerals Management Service of the Department of Interior, I would be delighted to have them appear and answer a few questions.

MS. ARONSON: Hi. I'm Ellen Aronson, and I'm the Regional Manager of the Pacific Outer Continental Shelf Region of the Minerals Management Service.

CHAIRPERSON GARAMENDI: And your authority and responsibilities are for what area of offshore drilling?

MS. ARONSON: For offshore oil and gas -- the management of the offshore oil and gas leases, offshore California, the 23 platforms that produce offshore California.

CHAIRPERSON GARAMENDI: Thank you.

MS. ARONSON: And additionally a new responsibility under the Energy Policy Act for offshore alternative energy, which we'll be moving into in the future.

CHAIRPERSON GARAMENDI: Well, that will be another subject we'll take up with regard to --

MS. ARONSON: Looking forward to that.

(Laughter.)
CHAIRPERSON GARAMENDI: -- in due course.

You've been here through the hearing and you've heard the questions as they apply to the Minerals Management Service. Could you please give us your insight into the issues that have been raised.

MS. ARONSON: One of the difficulties that we've had with this project is that we have not -- we're not a party to the agreement, nor have we seen the agreement.

Like everybody else -- or of many other people, we have seen the press release, the April press release on the agreement, but we haven't actually seen the agreement.

So, you know, we don't know what's in it. We haven't spent a lot of time looking at the legal issue that's been discussed about what our authority would be over those onshore facilities.

But we do have a responsibility, and the lessee has a responsibility, for the conservation of resources. And what that means is that they are obligated under their lease to produce those resources until the resources are commercially exhausted.

CHAIRPERSON GARAMENDI: It's the policy of MMS to not leave behind stranded oil.

MS. ARONSON: It's in the statute. It's in the OCS Lands Act and in our regulations.

CHAIRPERSON GARAMENDI: I recall the regulations
but not the statute. But thank you for clarifying that.

So, no stranded oil. Do you know when the oil potential from these platforms will no longer be there?

MS. ARONSON: Well, it depends -- it depends on a number of things. And it depends on the price of oil. It depends on the -- often times on continued investment of a company in the field to find new resources. One of the things that we've seen is that we've seen -- in a lot of the facilities offshore and in the fields offshore, we've seen smaller companies take over, come up with new strategies for developing the resources and technology to develop those resources. So the 2022 date for the Point Pedernales field is about on target with what our estimates are. However, there is no absolute certainty.

CHAIRPERSON GARAMENDI: So new technology, new investment, new --

MS. ARONSON: -- new ways of looking at the field.

CHAIRPERSON GARAMENDI: -- different prices of oil?

MS. ARONSON: Right.

CHAIRPERSON GARAMENDI: All of those things would determine when the final oil is extracted?

MS. ARONSON: Yeah, they are all factors in determining that.
CHAIRPERSON GARAMENDI: Now --

MS. ARONSON: One of the -- yeah, I'm sorry. Go ahead.

CHAIRPERSON GARAMENDI: Have you had discussions with the State Lands Commission staff about this?

MS. ARONSON: We've had a number of discussions. We have discussed whether or not there is an opportunity to institutionalize an end date in any action that we take. And because of this question about whether or not you know the absolute end of production and whether or not you can, in fact, preclude the analysis or the -- you know, determine now what, in fact, the end date will be, we have said that we are unable to do that, that we -- what we would do -- and we have provided them with a draft of the conditions -- I think that you might have them, and we're continuing to work on those -- but those would be the conditions for the approval of a development -- a revised development of production plan and for the issuance of a right of use and easement to use the platform to access State resources.

We have in every case said that the primary use of that platform is for the production of federal resources, and that the obligation of the federal government to the people of the nation is to ensure that those resources are responsibly developed. And that would
be what we would look at first and foremost.

CHAIRPERSON GARAMENDI: So recognizing the uncertainty of how much oil would be left in the federal fields for the three -- where the three platforms are, if it was the case in 2022 that MMS believed there to be additional oil -- stranded oil or additional oil, what would MMS's position be?

MS. ARONSON: Well, the oil has to be able to be profitably recovered. It's not --

CHAIRPERSON GARAMENDI: Okay. Factor one.

MS. ARONSON: -- simply stranded oil, right. And we would look at information -- request information from the operator and look at that information to make a determination about whether, in fact, the --

CHAIRPERSON GARAMENDI: My question assumes that you've made those determinations and you believe that there was profitable production from those fields.

MS. ARONSON: If, in fact, we determine that there was profitable production from those fields, we would require the operator, in continuing with the contract that they have with us, that is, the lease, to continue to produce that resource.

CHAIRPERSON GARAMENDI: And if they chose to turn the lease back, what happens? To walk away from the lease.

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MS. ARONSON: Yeah, I don't really know how to answer that question. I suspect, you know, they could make those decisions as private -- but, you know, I don't know. We haven't had circumstances like that. We have had circumstances where companies have wanted to abandon certain horizons before moving to a different horizon, for example, and the Minerals Management Service has required them to continue to produce from that horizon.

CHAIRPERSON GARAMENDI: Tom.

ACTING COMMISSIONER SHEEHY: Thank you, Mr. Chairman.

And I apologize to you, representative of the MMS. I was distracted when you were introduced. Could you tell me your name again.

MS. ARONSON: Yes, it's Ellen Aronson.

ACTING COMMISSIONER SHEEHY: Thank you, Ellen. I apologize for that. I should have known, and I'm remiss for that.

So recognizing -- so you said that you thought that the 2022 date more or less looked like it was on target based upon all the research and the measurements and the engineering studies that have been done?

MS. ARONSON: Yeah, the work that we've done so far, yeah.

ACTING COMMISSIONER SHEEHY: Okay. So given the
likelihood that the 2022 date is a good date, and the fact that there's not going to be a whole lot more money there, wouldn't it take a tremendous amount of new technology and new investment to try to get it out, and would that make it uneconomic?

MS. ARONSON: I don't think that we can -- I don't think that we can determine that today. That's the difficulty with this.

I'd also like to say that I think that the opportunity to access State resources from Platform Irene is a great project, it's a wonderful project. The end date --

ACTING COMMISSIONER SHEEHY: You think this is a great project?

MS. ARONSON: -- the end date is the problem.

ACTING COMMISSIONER SHEEHY: I'm sorry. You think this is a great project, Ms. Aronson?

MS. ARONSON: I think the opportunity to use existing facilities to produce more oil for the nation and revenues for the nation and the state is a good idea.

ACTING COMMISSIONER SHEEHY: And you're generally comfortable with this? I know nobody has a crystal ball, but you are generally comfortable with this 2022 date?

MS. ARONSON: No, I'm not. That's the problem that I have. The project absent the end date is a
wonderful project, the opportunity to develop additional
resources absent the end date.

ACTING COMMISSIONER SHEEHY: But if there is
stranded oil and it's not economical to get it out, then
what happens?

MS. ARONSON: Then they walk away from -- then
they have to properly abandon the facilities.

ACTING COMMISSIONER SHEEHY: So you wouldn't
force somebody to keep drilling if it wasn't economical
for them to get the oil out?

MS. ARONSON: Correct.

ACTING COMMISSIONER SHEEHY: Okay. Now, I want
to talk about unit agreements. Now, don't you normally,
when we're involved in lease situations like this, enter
into what's called a unit agreement with the State of
California?

MS. ARONSON: We have done this in a couple of
ways, but that is -- yes, we did discuss an opportunity
for a unit agreement with the State of California -- with
the State Lands Commission.

ACTING COMMISSIONER SHEEHY: And in those unit
agreements, isn't it common for the federal government and
the State government to share in the revenues that the
project will produce?

MS. ARONSON: Yes.
ACTING COMMISSIONER SHEEHY: So the federal government, in a unit agreement, would be in a position to achieve substantial revenues from new oil drilling; is that correct?

MS. ARONSON: Depending on what the revenue share would be, yes.

ACTING COMMISSIONER SHEEHY: Well, you must be negotiable, right? You would negotiate with the State, right?

MS. ARONSON: Yes, we did enter into discussions about that, and we did not have an agreement about what revenues would be due to the federal government.

ACTING COMMISSIONER SHEEHY: So instead then I understand that you're willing to give PXP what's known as an RUE, a right to use, is that right?

MS. ARONSON: Yeah, it's a little more complicated than that.

ACTING COMMISSIONER SHEEHY: Okay. I'd like to know about that.

MS. ARONSON: We were unable to reach agreement with the State Lands Commission on the share of resources that would be allocated to the federal government. Our view of the resources that would rightfully be allocated to the federal government were substantially higher than the State Lands Commission felt that they were.
CHAIRPERSON GARAMENDI: Tom, excuse me.

We thought MMS was a little too greedy.

(Laughter.)

MS. ARONSON: It's the nation's resource.

ACTING COMMISSIONER SHEEHY: I'm with you, Mr. Chairman.

(Laughter.)

MS. ARONSON: In addition to that, what we found was is that we were concerned that there were a number of other kinds of decisions that would need to be made with respect to managing that unit, and we expected that we would have a lot of difficulty in reaching agreement. And because of that, it would delay development, it wouldn't meet the federal government's interests nor the State's interest. So what we did is we tried to accommodate the interests of the State. And --

ACTING COMMISSIONER SHEEHY: Why did you try to accommodate the interests of the State when it would have been more in your interest to get a unit agreement with the right royalty rate, in your view? Why were you so willing to accommodate us, Ms. Aronson?

MS. ARONSON: Because the State was interested -- we felt that the State -- or understood that the State was interested in accessing these resources, and we --

ACTING COMMISSIONER SHEEHY: So the federal
government is, in fact, interested in cooperating with
California to make this project happen; is that right?

MS. ARONSON: Yes. And that is how we ended up
with the RUE. Yes, there's a loss to the federal
government in terms of revenues.

CHAIRPERSON GARAMENDI: Potential loss.

MS. ARONSON: Oh, I'm sorry. Yes.

CHAIRPERSON GARAMENDI: There's a potential loss.

ACTING COMMISSIONER SHEEHY: So with the RUE,
you're not getting a percentage royalty?

MS. ARONSON: No, that's correct.

ACTING COMMISSIONER SHEEHY: And you're willing
to do that because you support the State's ability to do
this project?

MS. ARONSON: Yes, we support the State's ability
to access and produce the State's resources, yes.

ACTING COMMISSIONER SHEEHY: Well, I think that's
important to know, because there have been many folks that
have testified today -- or there have been some folks that
have testified today, who have indicated a number of
different hypothetical scenarios, all of which involve you
guys coming down on us and stopping us from doing this
agreement. And what I understand from you, Ms. Aronson,
is that you not only think this is a good project, but you
are willing to give up the federal government's royalty
and money they'd make just so that we could do this project and enter into an RUE; is that right?

MS. ARONSON: We're interested in supporting the State.

ACTING COMMISSIONER SHEEHY: I think that's terrific. Thank you very much, Mr. Aronson.

(Laughter.)

(Applause.)

CHAIRPERSON GARAMENDI: Are there further questions?

(Laughter.)

CHAIRPERSON GARAMENDI: Tom, I notice that the Governor supports offshore oil drilling. Let's move on here.

I have some real serious concerns about finalizing this lease today one way or the other. Several things have come to light that have not been fully discussed or analyzed. Among them, the agreement between PXP and EDC that is now apparently available to the public and to MMS. Secondly -- and that's a significant issue. It has been from the very outset. Controller Chiang spoke to that earlier and questioned that issue earlier.

We now have the MMS issue that has not, for the first time, been explored publicly. It has been one of the principal issues that the State Lands Commission staff
has expressed concern about, as to whether the agreement would or would not be enforceable. We've had a very useful dialogue here with Ms. Aronson concerning MMS's position and the federal law and regulations as they exist at this time.

I'm of a mind - and I'd like to ask this question of PXP - that these issues be completely explored by the public, by the State Lands Commission staff with MMS, and now MMS with the agreement in hand and just what it means to MMS, and that we -- and whether PXP wants to move forward with a decision today or whether PXP wants to have these issues explored further, and the issue taken up prior to the April deadline? Is April --

EXECUTIVE OFFICER THAYER: First week in April, yes.

CHAIRPERSON GARAMENDI: First week in April there's a deadline in which the proposal expires.

So the question is to PXP.

MR. FLORES: Glad I came, John.

(Laughter.)

MR. FLORES: And both Johns.

From PXP's perspective, again, the EDC agreement is not a mystery. It's a framework. The way it was crafted was not to get in the way of the State. There's no way to support MMS production or development offshore.
California without the State of California's cooperation.

We operate around the world. There's things called logistics. You have to sell the product, you have to support the platform. Here in California, as you know, we run electric lines off the grid to the MMS platforms.

What we want to do is have an environmental understanding, an EDC framework by which the environmental community -- the community at large can understand how this project could be moved forward and adhere to their concerns and also the mitigation effects of the environment. It wasn't to regulate the lease. It wasn't to regulate the project. We have layers and layers and layers of regulation and permits and thoughtful people with engineers, lawyers, geologists that understand this stuff. It was not to change the regulations of the State, the Feds, or those types of things. It was merely an agreement to what the environmental bar would be to get the political support by which this hearing would even happen.

So, the thought process of having the EDC agreement be the driver or the governing agreement for the State's oil and gas policies, the MMS oil and gas policies, the economics of PDP is not even in this room. And that's the way it's been characterized by the staff, that it's some governing agreement, you know, the aspect is. Yes, it's an agreement, just like we have agreement
with everybody else with specific performance over periods
of time. And if things change, people get sued and people
have to pay restitution.

So my answer to you is from the standpoint, we're
perfectly willing to have the EDC agreement be looked at
by the MMS and continue to be looked at by the State at
the California Coastal Commission hearing a month from now
that's scheduled. But as far as being something that's
governed -- that can still stop any project as far as
governing the lease and the aspect to where the project
would take a step forward, with all these people here in
the room and all the money at stake, and the phone calls
that we got last year about putting another hundred
million dollars of advance royalty up, even before we
drilled the first well, as far as PXP has gone in aspect,
we can continue to learn about this project the rest of
our lives, and it's going to get down to the effect of
there's people in this room that are depending on this
capital to pay their bills, to get the State revenues up.
I know you're all very keen on that aspect of it. And
we're ready to get on with our lives.

CHAIRPERSON GARAMENDI: Very good.

MR. FLORES: So, Chairman Garamendi, what we
would like to see is this action taken today toward the
lease. And at the same point in time if we need further
discussions regarding the EDC agreement or those type of things, and do it conditionally upon that, subject to what the California Coastal Commission says, or to be revisited at a staff level later. But we think the aspects of the merits of the project have been heard and need to be -- action needs to be taken today.

CHAIRPERSON GARAMENDI: Okay. It'll be up or down on the project. Let us continue with the hearing.

There are several elected officials, that I would like to give them the opportunity to express their views.

I'm going to read their names.

From the County of Santa Barbara -- it looks like I have two supervisors, maybe three supervisors from the County of Santa Barbara. And so let's go to that.

MS. GEILER: Pardon me. I'm Debra Geiler from the Trust for Public Land. And I'd never step in front of the supervisors --

CHAIRPERSON GARAMENDI: That's a good idea. So let's hear the supervisors.

MS. GEILER: Okay, great.

CHAIRPERSON GARAMENDI: Thank you.

MS. GEILER: Thank you.

CHAIRPERSON GARAMENDI: I'm going to hear from the supervisors. Then I'll take you up, ma'am.

Are there any -- I had three supervisors that
have submitted their names. And if they would like to participate, then please.

SANTA BARBARA COUNTY SUPERVISOR WOLF: Thank you very much, Chair Garamendi and Commissioners. My name is Janet Wolf. I'm 2nd District Supervisor for the County of Santa Barbara.

As Santa Barbara County Supervisor who's district includes an expanse of coastline in Santa Barbara county, I urge you to support the PXE Tranquillon Ridge project.

I have long opposed any new or expanded oil development in our county and have, in fact, spearheaded the increased monitoring and enforcement of onshore oil facilities. However, I voted for the Tranquillon Ridge project when it came before the Santa Barbara County Board of Supervisors last fall, because it makes a date certain of shutting down four oil platforms and the onshore facilities that support them.

Moreover, it conveys thousands of acres of land for preservation and provides significant mechanisms to offset greenhouse gas emissions.

This project, in fact, ushers in a new era of responding to oil production off our coast with an actual plan, for the first time in history, to end oil production. I support this project, because it gets us to where we want to go, which is to shut down oil producing
platforms offshore and to remove oil facilities onshore so that we can begin to eliminate once and for all offshore oil production. This is the end to which environmentalists and so many in this room have worked for so many years.

I understand why there is some confusion over this project and why some are arguing that we can't allow it, because it does shift paradigms in thinking about how to end offshore drilling. But end it, it does. I applaud the Environmental Defense Center, "Get Oil Out!", and the Citizens Planning Association, all staunch and longtime opponents of drilling off our coast.

And the applicants - let's not forget the applicants - who have negotiated this landmark agreement. They have managed to bring before us the first opportunity ever to end oil production off our coast. The reality is that these platforms don't go away on their own, nor do offshore oil leases and -- as long as there is oil to pump out of the ground. Should you approve this project along with the Coastal Commission, this will be the first time in our history that the public will be shutting down oil platforms date certain.

But if you deny this project, we will lose the opportunity to end offshore oil production in this area. We will also lose thousands of acres of land that would
have been donated and protected in perpetuity.

I am deeply committed to ending our dependence on fossil fuels and moving as quickly as we can to fueling our society via clean energy.

I hope you will join me and all of the others -- well, many of the others -- I don't know, I haven't heard from everyone -- many -- the majority, I am sure, join me in this commitment by approving the PXP Tranquillon Ridge project.

CHAIRPERSON GARAMENDI: Thank you very much.

ACTING COMMISSIONER SHEEHY: I have a follow-up question to her.

CHAIRPERSON GARAMENDI: Sure.

ACTING COMMISSIONER SHEEHY: Madam Supervisor, thank you.

What's the status of the Sacramento County -- sorry, strike that.

SANTA BARBARA COUNTY SUPERVISOR WOLF: Santa Barbara County.

ACTING COMMISSIONER SHEEHY: I'm just way too wrapped up in Sacramento. I'm glad to get down here in Santa Barbara. It's much nicer down here.

SANTA BARBARA COUNTY SUPERVISOR WOLF: It's nice to have you.

ACTING COMMISSIONER SHEEHY: What's the status of
the Santa Barbara County budget right now?

SANTA BARBARA COUNTY SUPERVISOR WOLF: The Santa Barbara County budget situation right now, I could tell you, is that we are in dire straits. We are --

ACTING COMMISSIONER SHEEHY: Tell me how bad it is and how this project might affect that.

SANTA BARBARA COUNTY SUPERVISOR WOLF: Well, you know, I can't be specific with the numbers. But what I can tell you is that last year we furloughed all of our employees to save their jobs, and they took a mandatory furlough. And that saved the County approximately $10 million. But that --

ACTING COMMISSIONER SHEEHY: What type of furlough was that, ma'am? Was that one day a month?

SANTA BARBARA COUNTY SUPERVISOR WOLF: It was approximately 80 hours. They took it during the last two weeks of the year. Now, I must say that that didn't involve every department, because we had our public safety and sheriffs continue to work, and certain departments did rotate. But the majority of our workers -- a vast majority of our workers basically took that time off without pay, which negatively impacted them, you know, during a time -- it was the holiday season. They obviously lost pay. It was a tremendous impact on our community, not just to the workers, but also to the
community, because we did close some of our community
clinics, our mental health clinics, our children's
clinics. So it did have an impact.

And so that did happen. I can speak to what did
happen. I can also tell you that in February our board is
meeting. We are having three budget workshops because of
the anticipation and the knowledge of severe budget cuts
that we are going to be anticipating. And many of them,
we'll be hitting the most vulnerable in our county, which
we'll be trying to offset as best as we can. But I will
tell you, it was tough last year and it's going to be even
tougher this year.

ACTING COMMISSIONER SHEEHY: Thank you, Madam
Supervisor.

And I'm hoping there will be somebody from the
County here later today who can address the ad valorem
taxes that this project, if it were approved, would
provide to Santa Barbara County and City and special
districts.

SANTA BARBARA COUNTY SUPERVISOR WOLF: Yes. I'm
sorry I don't have that information. When we approved the
project though, we did have that information. And as you
saw, it was based on the price per barrel over time. So I
just don't have that with me right now.

ACTING COMMISSIONER SHEEHY: Thank you, madam.
CHAIRPERSON GARAMENDI: Thank you.

SANTA BARBARA COUNTY SUPERVISOR CARBAJAL:

Welcome to Santa Barbara, Chairman/Lieutenant Governor Garamendi, Controller Chiang, and Mr. Sheehy.

With all due respect, Lieutenant Governor, and your deference to us elected officials, it's my understanding that the young lady that wanted to speak earlier has a plane to catch, and I would acquiesce and defer going second to her if that's okay with you, Mr. Lieutenant Governor.

CHAIRPERSON GARAMENDI: And I assume your colleague --

SANTA BARBARA COUNTY SUPERVISOR CARBAJAL: She's with me as well.

CHAIRPERSON GARAMENDI: It was in deference to you.

Okay. Let's hear from the TPL.

SANTA BARBARA COUNTY SUPERVISOR CARBAJAL: Thank you.

MS. GEILER: I think I may be driving back to San Francisco anyway, but thank you.

CHAIRPERSON GARAMENDI: You're not the only one with schedules.

(Laughter.)

MS. GEILER: I totally appreciate that.
CHAIRPERSON GARAMENDI: It's a nice drive anyway.

MS. GEILER: You're absolutely correct.

I am Debra Geiler. I am the Southern California Director for the Trust for Public Lands. We are a national nonprofit land conservation organization dedicated to preserving land for people. TPL was founded in 1972. We work in 40 states and our headquarters are in San Francisco.

To date, our organization has conserved over 2.5 million acres of land, with a fair market value exceeded $5.6 billion. Done a little bit of work.

We've been working in Santa Barbara for over 12 years. And to date, we've worked with this community to protect over 8,500 acres of important threatened coastal and environmentally sensitive habitat lands. And I've also worked in many communities throughout the Central Coast of California, working together with those communities to save many thousands of acres of threatened coastal lands.

About a year and a half or so ago we were asked by the Santa Barbara community to work on the strategy to secure the permanent protection of PXP's Gaviota Coast and Lompoc lands as part of the larger negotiated agreement that we've talked about today.

At the time of our entry into conversations with
PXP, there was a notion that as part of the larger negotiated agreement between PXP and the environmental groups, PXP would consider the transfer of their properties at the end of their oil operations in Santa Barbara county based on the end date established in the negotiated Tranquillon Ridge agreement.

TPL works in a very specific way to ensure protection of properties that we acquire. The kinds of specifics and requirements I think probably came as somewhat of a surprise to PXP initially. We asked them for a lot. We asked them to not only donate lands to us, but also to donate them free of -- clear of any title issues that we perceived would interfere with the ultimate public use of the properties and to deliver those properties clean. Closed facilities, fully remediated.

We received PXP's commitment to everything we felt we needed to ensure successful completion to our transaction. And after many months of negotiations, we were able to sign an agreement with PXP for the conveyance of over 3,900 acres of land in Santa Barbara county. I believe that's all of their land assets in Santa Barbara county. And that would be in a three-phased transaction, each of the three phases to be conveyed to TPL upon the occurrence of a specified event.

In kind of general terms, the structure of the
agreement is as follows:

Approximately 150 acres including two parcels on the Gaviota Coast and 1,000 acres of Lompoc uplands constitute Phase 1, which will be immediately conveyed to TPL at the time that PXP achieves commercial production, or approximately 60 to 90 days after the permits are issued for the Tranquillon Ridge project.

Fifty-six acres of Gaviota coastland would be conveyed following abandonment and cleanup of the existing PXP Gaviota processing facility. Plant closure would occur in nine years, as has been discussed today.

The balance of the Lompoc lands, or 2,700 acres, will be conveyed to TPL following closure, abandonment, and cleanup of all onshore wells and the Lompoc Oil and Gas Plant beginning no later than December 2022.

TPL has negotiated thousands and thousands of agreements like this one, and we are confident we will be able to complete this transaction on schedule if the project is approved.

I also want to emphasize that we believe there are enormous and unprecedented benefits in the agreement between PXP and the environmental parties. But, frankly, our ability to get these lands into public ownership was absolutely unforeseeable, as the value of these lands may well exceed $100 million or more and there are just not
enough conservation dollars around to buy all of the
important conservation-worthy lands.

That's the end of my remarks. And I'm available
to answer any questions you have.

ACTING COMMISSIONER SHEEHY: Questions for TPL.
CHAIRPERSON GARAMENDI: Tom.
ACTING COMMISSIONER SHEEHY: Thank you, Mr.
Chairman.

Ms. -- I'm sorry. Your name?
MS. GEILER: Debra Geiler.

ACTING COMMISSIONER SHEEHY: Thank you, Ms.
Geiler.

How often, in your experience working with TPL in
the environmental community, do opportunities like this
come along? I don't mean the whole package. I mean
specifically on the 3,900 acres.

MS. GEILER: Never.

ACTING COMMISSIONER SHEEHY: Have you ever seen
any opportunity like this come along or any of your
colleagues aware of any opportunity like this that's come
along here in California?

MS. GEILER: Well, I can't even think of an
opportunity close. And close would be that they would --
they might agree to transfer lands to us if we took on the
burden to get them ready for public use, including
cleaning them up, cleaning up title issues. Maybe. But
I've never even heard of that.

ACTING COMMISSIONER SHEEHY: We have a great
opportunity, don't we?

MS. GEILER: Unbelievable.

ACTING COMMISSIONER SHEEHY: That's so great.

(Laughter.)

ACTING COMMISSIONER SHEEHY: Are there -- Ms. Geiler, are there any loopholes that you're aware of in this agreement that would prevent the transfer of that land through TPL?

MS. GEILER: No, there are not any loopholes.

ACTING COMMISSIONER SHEEHY: Okay. And this has been thoroughly vetted by your attorneys?

MS. GEILER: Yeah, they're good.

ACTING COMMISSIONER SHEEHY: Okay.

(Laughter.)

ACTING COMMISSIONER SHEEHY: And what's the status right now in the environmental community in trying to do land conservation? How hard is it to get your hands on dollars and capital in order to get environmentally sensitive land like this put in conservation? Are you finding a plethora of dollars out there? Are people still willing to donate money? What are you seeing out there?

And how is this economy affecting that?
MS. GEILER: Well, even if the State wasn't in its crisis, it's absolutely challenging. And we have to really focus our efforts on, you know, the best bang for the buck. It's really my job to save the public money when I'm doing this. And I have to be very picky, frankly.

ACTING COMMISSIONER SHEEHY: So in your expert opinion as a member -- as working for Trust for Public Land, do you think this is an unprecedented opportunity?

MS. GEILER: Yes, and absolutely unforeseeable as well.

ACTING COMMISSIONER SHEEHY: Thank you, Ms. Geiler. I appreciate that.

CHAIRPERSON GARAMENDI: Are you finished?

ACTING COMMISSIONER SHEEHY: Yes, sir.

CHAIRPERSON GARAMENDI: Thank you very much.

MS. GEILER: You're welcome.

COMMISSIONER GARAMENDI: You've still got a shot on that airplane.

MS. GEILER: Thank you for your time.

SANTA BARBARA COUNTY SUPERVISOR CARBAJAL: Thank you, Lieutenant Governor, for your indulgence. Again, I'm Salud Carbajal, 1st District County Supervisor.

I, like many people here in this room, have had a long history of opposing offshore oil development. This
county, and my district in particular, is ground zero for
dealing with the negative impacts of oil development, and
are the areas directly impacted by the devastating 1969
spill which we sadly commemorated the anniversary of this
week. We are here 40 years later with the opportunity to
take the final step in eliminating - eliminating a large
portion of oil development off our coast.

I never thought that I would have voted for such
a project as the one before you. And at first, I must
admit, it didn't feel right. It felt counterintuitive.
But the more I looked at it, the more I studied it, it was
clear to me that this was all about getting rid of oil.

There are many environmental groups, about 25 in
all - the Sierra Club, GOO, EDC - all of those groups that
have helped shape public policy around this issue in the
State of California before many of us were elected
officials. And many of our own values on environmental
protection, including offshore oil, have been shaped by
many of these groups who have fought the hard fights, have
stuck their neck out, have labored day in and day out to
protect our environment.

There's a quote that is said, "If the people
lead, the leaders will follow." And I think that is so
ture for this issue. Because I think that so many people
have worked so hard to protect our coast and they've done
such a great job, that that's why this matter before us seems so counterintuitive.

But for me it's very simple. And I've been trying to follow the concerns and the questions that have been raised today, and the logic. And it seems so simple to me. Worst case scenario, if you approve this project, it might just succeed. With the little risk of MMS, with the little risk that maybe the agreement isn't enforceable, it might just succeed. But the worst case scenario of not approving this is that we can ensure offshore oil development production off our coast for many, many, many, many years to come.

We, in Santa Barbara county, don't see this as some abstract theoretical offshore oil issue. We live it. We live it day in and day out. So when we see an opportunity, a well thought-out opportunity, to get rid of oil development off our coast, we're all over it. This isn't just two people that will -- this is the entire environmental community in Santa Barbara county.

This community has set the bar on environmental protection. And others who don't live it completely use the same arguments against this. But I will submit to you that despite the initial trepidation, which I'm sure you have as well, when you really look at it in its most simplest terms, this is about getting rid of oil. There's
a sunset date, 13 years. I want to be able to tell my
children - he's eight years old today - 13 years from now,
I want to say, "Son, when I was a County Supervisor, I
helped get rid of that oil development." And I plead and
ask you to do the same.

Thank you very much.
CHAIRPERSON GARAMENDI: Thank you.
(Applause.)

SANTA BARBARA COUNTY SUPERVISOR FARR: Good
afternoon. My name is Doreen Farr and I'm the Supervisor
for the 3rd District of Santa Barbara County.
The 3rd District is the largest district
geographically and it contains the most coastline in the
county, almost a hundred miles. This coastline is among
the most beautiful, pristine, and biologically rich in the
state and in the world.
Conversely, it is also home to several oil
facilities, including the one on the Gaviota Coast that
we've already talked about and which is a part of this
agreement.
So my district, in particular, has much at risk
from current oil development and any possible future oil
development.
Although I was not on the board when this project
came through, I want you to know that I have always been a
very strong environmentalist and always opposed any
additional offshore oil drilling.

But this project that is before you today is so
unique and so beneficial and ultimately so protective to
the people and the land of my district and the county,
that I have decided to support it. And I want you to
understand that if you knew so many of the people in the
audience here today, you would understand what a unique
situation this is; what a coming together of so many
people, not just the environmental groups, which have
always opposed a project like this, but people that we
rarely agree with on so many issues and never agree with
on oil issues, and we are all here today to tell you that
we support this project.

Among the many benefits that it offers are those
that you've already heard, that we can finally look
forward to an end date of oil production from these
facilities - and this is an opportunity that just simply
cannot be missed - an end date -- a final end date of
2022, again just 13 years from now, not that far, so that
we can enjoy the benefits of that and what a wonderful
gift, a legacy that it would leave for our children.

So I strongly support it and I strongly urge you
to support it as well.

Thank you.
CHAIRPERSON GARAMENDI: Thank you very much.

We're going to limit the discussion from the rest of the people that may want to talk - I've got about 120 here.

Yep. So, you know, at about a minute apiece, we're going to be here for a few hours.

ACTING COMMISSIONER SHEEHY: Mr. Chairman?

CHAIRPERSON GARAMENDI: Now, what I'd like to do is to -- there is organized opposition. We've heard support from parties that are either parties to the agreement or affected by it, the County. I'd like to take the organized opposition. We had discussed some 20 minutes from the organized opposition to the program. I'm going to cut that back.

So please be succinct, be clear with your argument, and have at it.

ACTING COMMISSIONER SHEEHY: Mr. Chairman, I have a procedural question.

CHAIRPERSON GARAMENDI: Yes.

ACTING COMMISSIONER SHEEHY: When we're done hearing all the opposition, the members of the public, will we be in a position to vote on this project?

CHAIRPERSON GARAMENDI: I took that question -- I asked that question of PXP. They want an up or down vote today. They'll have it.
ACTING COMMISSIONER SHEEHY: Excellent.

CHAIRPERSON GARAMENDI: I'm not at all sure -- I was told that, Sara Wan, you are leader to the organized opposition. Is that correct?

If it is, begin. If it's not, then hold fire.

MS. WAN: Well, I will begin, but I'm not the leader of the opposition. But there are a number of people who want to speak on this.

CHAIRPERSON GARAMENDI: I understand. I understand there's organized opposition. I was told you were the leader of it. If that's not the case, then --

MS. WAN: Yeah, but I will speak first in that group.

CHAIRPERSON GARAMENDI: No, you will not.

(Laughter.)

MS. WAN: Well, they asked me to speak first.

CHAIRPERSON GARAMENDI: Then you are the leader of the organized opposition.

(Laughter.)

CHAIRPERSON GARAMENDI: Okay, leader.

MS. WAN: Chairman Garamendi and Commissioners.

My name is Sara Wan.

First, I'd like to make it clear that I'm not here in my capacity as Coastal Commissioner. Our jurisdictions are very different. And I'm not commenting...
on the aspects of this relative arduous -- the Coastal
Commission's jurisdiction, which is very, very limited as
compared to yours.

For 40 years this community and this state have
taken the position that offshore oil drilling should be
opposed because of the consequences of an oil spill that
is not only probable but likely.

This agency has not issued a permit for new oil
drilling in the State waters during those years. Approval
of this project would represent the sea change in the
direction this agency and the State have had on this
issue.

Such a change comes at a particularly inopportune
time. Both the executive ban and the congressional
moratorium on an OCS have been lifted. And this year saw
the push to, "Drill, Baby, Drill". President Obama and
his Secretary of the Interior have made it clear that they
will allow OCS drilling. For this State to approve it in
State waters, because it would provide funds, will set a
terrible precedent. It means that California now says
drilling is okay, if the conditions are right. We will
then be in the -- we will then be the area that the
Administration selects for drilling. That is not
something you should endorse if you care about the coast.

The confidentiality of this agreement has allowed
the proponents to paint a picture that's simply not true. This deal will not end drilling here in Santa Barbara. It is clearly unenforceable. In addition to everything else you heard, no one can bind an agency in its future decision making. Conditions of approval can always be changed by your predecessors by amendment.

It will not result in the removal of the platforms. As we heard, PXP doesn't have that authority. That's under the control of MMS, who can simply allow -- either allow others to use them if PXP does shut down, or with new -- with new oil leasing that this will facilitate and the development of those 35 leases offshore, there's nothing to say you can't have new platforms developed.

The same thing is true of the removal of onshore facilities in the partnership agreements we haven't seen. And even if PXP has the ability to remove them, it doesn't preclude them from being replaced. MMS's recent attempts to sell leases off Mendocino, Orange county, and San Diego, when there is no infrastructure, clearly indicates that they intend to put in infrastructure wherever they feel it is necessary. So you'll get -- you could take these out, you'll get new ones.

I won't go into the land deal. I don't have time for that.

If the monies to the State's General Fund are the
basis for approval, what does that say? Certainly our coastal resources and economy are worth more than that. In fact, they are priceless. You cannot put a dollar value on them, and you should not.

Equally important is the message such an approval might send to the rest of the nation. If California allows oil drilling to be able to obtain funds, why shouldn't the federal government? This would be a total shift in this State's reasoned and very important stand against OCS: That this State's coast is not for sale at any price. It is a treasure that defines this state, who we are, and what we are all about.

Our coast, frankly, is in your hands. Please do not allow it to be destroyed.

CHAIRPERSON GARAMENDI: Okay. We're going to --

(Appause.)

CHAIRPERSON GARAMENDI: I'm going to exert a little request on those who are going to speak on all sides of this issue. You have one minute. And do not add to the previous discussion.

Excuse me. I said that incorrectly.

Please add to the discussion, but do not repeat the discussion.

(Laughter.)

CHAIRPERSON GARAMENDI: So if you've got
something to add, add. Otherwise, we will be here till
tomorrow morning.

So add, but just don't repeat. Introduce
yourself, move quickly, please.

MS. ELIA: Good afternoon. Penny Elia. I'm here
today from Orange County.

I'm a member of several of the environmental
groups that are here today. And when I'm not attending
these meetings and an environmental activist, I'm a
consultant in the California travel and tourism industry.

I'm here today to oppose this proposal, the
secrecy of this agreement, and the drilling off the OC
coast. I have an entire paragraph addressing the impacts
to the California travel and tourism industry. I --

CHAIRPERSON GARAMENDI: That's new. Go ahead.

MS. ELIA: That's new? Okay, thank you. Just
wanted to make sure.

You know, we do -- we work very hard to sell our
coast benefits to potential domestic and international
travelers. What's going to happen if our beaches are
fouled? What about the travelers that remember the past
spills? Just the mention of opening our waters to
drilling once again will be enough to persuade them to
select another destination. In this tough economic
climate, hotels of every size and shape all along this
coast are closing wings, laying off staff, and bearing up under record low occupancies. Do we think that, you know, a proposal that will include drilling up and down the coast will bolster the travel and tourism industry, one of the state's leading industries right now?

I have a lot of other things to say. But my main concern is this agreement that we are not able to see today. I'm a little disappointed that they didn't take your offer. And everyone needs to see this. Everyone needs to see it. And after the fact isn't going to do any of us any good. There's people in this room that are supporting this that have never seen it.

Thank you so much.

CHAIRPERSON GARAMENDI: Thank you.

MR. WAN: My name is Larry Wan, Honorable Commissioners. I'm speaking to you today as a founder of a land conservancy and a board member of another to urge you to deny this project. Together our conservancies have protected hundreds of thousands of acres. And we strictly adhere to the principle that all transactions are fully transparent and disclosed and the conservancy is never financially compensated for the transaction.

Whoopy! The advocate has finally agreed to lift the veil of secrecy after you approve the project.

There's no way we can evaluate the value of the
land they wish to donate. They themselves say that the
ultimate conveyance of these lands are subject to a number
of contingencies, which includes some of the land maybe
rejected due to such things as insurmountable title
issues.

In any case, no 4,000 acres can be a benefit when
weighed against the damage to this state's coastline. The
precedent that this will set will open almost all 1,100
miles of coast to drilling that would result in oil
spills. The applicant's own advocate, Linda Krop, has
been quoted as saying, "The increased oil drilling results
in the increased chance of spills".

Commissioner Chiang caught the point when he
asked about the increased risk of oil spills now for the
supposed reduction of oil drilling and risk later. Well,
this is not a deal to stop oil drilling in the future.
This is a deal so they can profit by it now before
alternative energies phase out oil drilling in the first

CHAIRPERSON GARAMENDI: Thank you.

One minute, please. Add to the discussion.

MR. EIDT: My name is Jack Eidt from Wild
Heritage Planners, and I'm a former graduate of UCSB
Environmental Studies Program.

I want to support the State Lands Commission
staff's assertions that this proposal should be denied. We agree that the end dates are questionable, and approval of this project actually could mean extension of oil drilling as opposed to termination. And even with end dates, an oil spill likelihood is increased because of the throughput that would be escalating from the current 7,000 barrels of oil per day to 30,000. Also, removal of onshore facilities would not necessarily lead to cessation of drilling, as has been noted. And we can't determine that today. So new facilities could be constructed.

The five-year leasing proposal by MMS says -- has significant new drilling here in Santa Barbara and elsewhere; 35 to 36 existing undeveloped leases. This project makes it more likely that these are developed and that new facilities would make -- would be more economically viable.

CHAIRPERSON GARAMENDI: Thank you very much.

MR. EIDT: Thank you.

MS. HEALY: Hello. I'm Patt Healy. And I came here today from Santa Monica to oppose this project. It's clear that this project, as proposed, does not bring the benefits that it's claimed. It's not an end -- it will not end in the result of offshore drilling in Santa Barbara.
As the Environmental Impact Report says, this project will result in the additional extraction of up to 90 thousand -- million barrels of oil. Platform Irene was in 2005 drawing only 7,000 barrels today and was expected to reach its economic life somewhere between 2017 and 2022, at which point Platform Irene and LPOG would stop production. This new field will result in the extraction of up to 30,000 barrels per day of new oil.

And the agreement also purports that it will put a specific end to drilling, which we know is not the case. Since this agreement is not enforceable and once the new field is under development, there's nothing to stop the continued extraction. The result will be that this agreement and approval for this new drilling will actually expand oil drilling in Santa Barbara.

CHAIRPERSON GARAMENDI: Thank you very much.

MS. HEALY: Okay. Can I just say one more thing?

Even if the lack --

CHAIRPERSON GARAMENDI: We're going to keep it --

MS. HEALY: It's a new point.

CHAIRPERSON GARAMENDI: No.

MS. HEALY: No? Okay.

CHAIRPERSON GARAMENDI: We're going to have to be very disciplined here. So modify your testimony.
Otherwise, this is going to go on till tomorrow morning.

MR. THOMAS: Good afternoon. And to respect your wishes, I won't read my comments. And this is a little uncomfortable for me.

I just want to respectfully disagree. I am a conservation director for an Audubon society in Orange county.

And outside of Santa Barbara county -- I want to say from somebody outside the county, your decision today from outside -- just down the coast and across the country, this is going to be the green light or the red light as to whether or not oil expansion goes on in California. The intricacies, the details, the regulations aren't going to matter to the rest of the country. This is the "yes" or the "no" as to whether we expand.

CHAIRPERSON GARAMENDI: Thank you.

ACTING COMMISSIONER SHEEHY: Can you tell me your name.

MR. THOMAS: I'm sorry. Scott Thomas.

MS. MASARIK: Charlotte Masarik from Laguna Beach. I have nothing new to add. But I've come a long way and I'd like my one minute.

CHAIRPERSON GARAMENDI: You got it.

(Laughter.)

MS. MASARIK: And I say the supposed benefits of
this deal only -- allows no new oil drilling and -- what am I saying?
(Laughter.)
MS. MASARIK: Listening to all of the supposed benefits of this deal, the only deal that is certain to me is that it will provide funds to the State. Allowing new oil drilling for that reason is a very dangerous slippery slope to go down. Once that is done, all oil drilling will be viewed in that light and become approvable, and all offshore oil drilling in federal waters will become a reality. And this will set the stage for drilling along our entire coast, including Santa Barbara.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. DROUILLARD: Hello. My name is Frank Drouillard and I own property in Mendocino county. I drove down here this morning.

And I'd like to say the deal that I heard today is a great deal for Santa Barbara, but it leaves other portions of the coast in jeopardy. We're going to have drilling -- the federal government wants drilling off of Mendocino coast. If they find drainage there, it's going to be an excuse for the State Lands Commission to allow drilling -- more drilling off of Mendocino county.

So I'd just like to remind the Commissioners,
this isn't the Santa Barbara Lands Commission, it's the State Lands Commission. And we want you to look out for the entire coast of California.

Thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

MR. UHRING: Good evening. Steve Uhring. I'm here representing the Malibu Coastal Land Conservancy. I would like to add my voice to those in opposition to approving this agreement.

The last -- I'm particularly concerned with the secrecy. The last group promoting secret agreements with oil companies was thrown out of Washington the most recent election. Over eight years they provided us with ample evidence of the pitfalls of these type of deals. Why we would want to replicate their mistakes here in California is a mystery to me. And I'd just go back and urge you to -- you know, remind you of the advice we got from Court Justice Louis Brandeis where he said, "Sunlight is the best disinfectant." Until this agreement is brought into the sunlight and all documents are made available, I encourage you not to approve this agreement.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MS. O'NEIL: Remy O'Neil, Malibu. I'm here as a private citizen.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
I'm stunned by this agreement and even thinking about approving this. We have just gone through the most amazing election that this country has seen in our lifetimes, and the people of this country voted for accountability, for transparency, for stronger regulations for our environment, to develop -- Mr. Sheehy, I would so appreciate your attention.

ACTING COMMISSIONER SHEEHY: You've got it, ma'am.

MS. O'NEIL: Thank you.

-- for the development of alternate sources of energy and fuel. This does none of that. And so I urge you to deny it.

What we're looking for are the best interests of the people of the state. The state is not an inanimate object. The state is us. It's living, breathing people. It's species. And it has voted, it has said what it is interested in. We're willing to take a collective kick in the butt to get off the nipple of oil. Let's do it.

CHAIRPERSON GARAMENDI: Thank you.

Now, I sense that something's happening here with the organized opposition. You keep adding to the back of the line. That's not allowed.

And so, excuse me, but the back of the line was this gentleman. And then we're going to go to supporters
of the proposal. And then we'll come back around.

MR. BAGDASARIAN: Hi. I'm John Bagdasarian, another private citizen. And being very informed today is just being here.

I think that the word "enforceable" is pretty interesting. As the deal that was made, it talked about -- by the supporting environmental groups, it was called as a rock-solid agreement, which means basically is a hundred percent enforceable in slang, which obviously is not the case, because they had to come back with new language to correct that situation. And if that's not offering a confirmation that it really wasn't rock solid in the first place, I don't know really what is.

So basically can we really sense that this really is a good deal in the first place? And ultimately it's just too important of an issue to rush. So I agree with your decision to maybe take some more time. And if that just means that people have to go back to work a little bit longer, then so be it. And that's just the way it is, because it's worth it.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

There are some elected officials that are in the audience, at least they were, and presumably they're still here.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
The Sheriff. Bill, are you still here?

And I'm going to -- the "Get Oil Out!"

organization has been discussed much today. And I think
there's a gentleman, Charlie Eckberg, from "Get Oil Out!",
if you'll come up.

And there's a representative from Congresswoman
Lois Capps who is here.

I will hear from the three of you and then see if
I can sort out the next set.

Sheriff.

SANTA BARBARA COUNTY SHERIFF BROWN: Thank you,
Mr. Chair. I'm here to speak in support of this proposal.

We, in the Santa Barbara County Sheriff's
Department, like all of our law enforcement and other
local government counterparts, are struggling to provide
basic services to the public in the midst of a deepening
fiscal crisis. This year our agency suffered a $2.6
million reduction in our $98 million budget, which, along
with some very recent cuts in State grant funding, has
resulted in 25 positions in the Sheriff's Department being
unfunded and unfilled. That's in our current budget.

On top of that, we have been asked to prepare a
budget for the next fiscal year incorporating a $6.1
million reduction. The results of that would be
devastating, especially at a time when we are bracing for
an increase in crime due to the economic downturn.
Such a reduction would guaranty something that we
have been working very diligently to avoid, and that is
the reduction of frontline law enforcement services and a
further strain on our dangerously overcrowded jail.
Public safety budgets are dependent on the
County's number one source of revenue, and that's property
tax. And this project would increase the revenues to the
County and allow us to preserve critical law enforcement,
custody, and other frontline public safety services to our
citizens. And, of course, in addition to the millions of
dollars in revenue that the County would receive, the plan
would also bring about an inflow of billions of dollars to
the State of California, something that obviously is
equally needed.
This is perhaps not the perfect plan, but I would
submit to you that it is a creative compromise, which
balances competing interests and will result in new
revenues at a time when both the State and the County need
it more than ever before.
The citizens of our county and our state are in
need of some bold leadership and decision making on this
issue, and I urge you to approve the plan.
Thank you.
Okay. There's two people from the "Get Oil Out!"
organization? One person.
Three people.
MR. ECKBERG: Actually, if I may, I'd like to
defer to my daughter, Hannah Eckberg, who is Vice
President of GOO.

CHAIRPERSON GARAMENDI: That's helpful to me.
Thank you.

MR. ECKBERG: Thank you.
CHAIRPERSON GARAMENDI: I've been trying to sort
this out.

MS. ECKBERG: I did turn in my comments to you
and I will condense them down now.

My name is Hannah Eckberg, Vice President of "Get
Oil Out!".

I think today we have really set the stage and
example of how progressive oil drilling can be. We must
remember what is at stake that can be lost here if you do
not approve this project. It's very painstaking for GOO
to go into this agreement and not show as just how
important this agreement is.

We will, as we stated, release this to the public
with your approval today. But you will find out that the
meat of this agreement has already been made clear.
Something that I would like to add on a personal note that nobody else can add to this is how painful it was growing up on the Gaviota Coast as they were putting in the Point Arguello project. I went to bed every night knowing that my family could die at any time from a leak from the hydrogen sulfide from these facilities. It will be a great dream to see these facilities removed.

And we must remember that the oil from the Point Arguello project was much less quality and quantity than was ever speculated. It is mostly asphalt oil that we are looking at here.

I strongly urge you to move forward with this project today.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

I said there were three from "Get Oil Out!". Is that correct?

MS. ECKBERG: Yes.

CHAIRPERSON GARAMENDI: I'll take one more. And keep in mind the one minute.

MR. POWELL: My name's John Abraham Powell. I am the President of "Get Oil Out!". "Get Oil Out!" has been fighting the frontline against oil development in California for 40 years. I've been on point as president for 11 of those years. In all
that time, we've never had an opportunity like this to actually shut down existing facilities.

I'd like to point out that if -- without regard to the enforceability issue, there is some possibility of enforcement of this. We think there is a very good possibility of enforcement in this. Without this, we could have at least 50 years of continued development in these facilities. If you multiply that by 365, that's 18,250 opportunities for an oil spill. Recently, we've seen that those opportunities are a real threat. We've seen Greka Oil spill 200 times in the last few years.

We've just seen a blowout at Platform A again. After 40 years, Platform A failure within the last couple of weeks. This is a real risk. And by putting this in place, we are reducing those repetitions, those rolls of the dice that come every day, by over 75 percent. We think that is a significant risk reduction for the State of California and we urge you to support us in this endeavor.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

Lois Capps' assistant.

MR. SAUR: Hi. My name is Jonathan Saur. I'll be reading a statement from the Congresswoman that she asked me to read.
"I'm writing to express my strong support for the proposed Tranquillon Ridge Oil & Gas Field project, offshore Santa Barbara county, as modified by the agreement arrived at by environmental groups and Plains Exploration & Production Company.

"As a federal representative for the area and as an ardent opponent of offshore oil and gas development, I have long sought to prevent new development from occurring off our coast and to end production that currently exists. As such, I support the approval of the proposed project for several reasons:

"First, it will result in the shutting down of existing production. Specifically, it will bring about early termination in production from our four platforms in federal waters that currently produce oil and gas from the Point Pedernales and Point Arguello units.

"Second, the proposed project will help to prevent expansion of oil and gas..."
production into offshore areas that are
leased but not yet developed.

"Finally, the proposed project would
guaranty carbon neutrality for direct
emissions from development and includes
the handing over of 4,000 acres of land
for public conservation purposes.

"Thank you for consideration of this
request."

CHAIRPERSON GARAMENDI: Thank you very much.

If I appear to be confused, it's because those
who have signed up are confusing me. Some of you are said
to be in opposition, yet you're in support of the
proposal. So work with me, okay?

And we're just going to have to work our way
through this. The confusion exists, and we'll try to
straighten it out.

I want to take a couple of more people who are
apparently in support of the lease. We have the President
of the Santa Barbara Deputy Sheriff's Association, Chris
Corbett. We have David Landecker of the Environmental
Defense Center.

David, I don't know if you want to repeat what
Linda said. But if you do, then fine. You get one
minute.
The Community Environmental Council, David Davis.

Use that microphone.

There you go.

MR. CORBETT: Good afternoon, Commissioners. My name is Chris Corbett. I am President of the Santa Barbara County Deputy Sheriffs' Association. I currently represent 480 plus members of sworn and non-sworn members of the Santa Barbara County Sheriff's Department.

The Santa Barbara County Deputy Sheriffs' Association is urgently concerned about the ongoing short- and long-term budget problems facing the State. Public safety professionals throughout the state are being subject to budget cuts at the State and local levels as they try and come to terms with the massive deficits. The State's budget problem is the most pressing public policy issue currently facing the policymakers.

Your job today is to decide if the application in front of you is in the best interests of the State.

It is the DSA's perspective that anything that addresses the budget, State and local, is definitely in the best interests of the State.

The project is crucial on many levels. It provides almost $100 million to be presented within the next few months, but only - and only - if the drill bits start turning. Pushing away from the acceptance of the
application will only delay and will lose the window to keep the frontline public safety where it needs to be, to provide the citizens of Santa Barbara county and in the state the lifestyles that they've been accustomed to living.

So it is the -- I request on behalf of the Santa Barbara County Deputy Sheriffs' Association and public safety in Santa Barbara county that a vote is cast today, "yes" or "no," for this project. And the DSA supports "yes."

Thank you for your time.

CHAIRPERSON GARAMENDI: Thank you.

MR. LANDECKER: Thank you very much, Mr. Chair, members of the Commission. My name is David Landecker. I am the Executive Director of the Environmental Defense Center.

Three quick points.

One is there's been a lot of discussion about precedent. And I want this Commission to be careful about the precedent you set. If you decide today that a project or that a condition or that something you do is unenforceable because the federal government can overrule it because there is a Supremacy Clause, then you will never be able to do anything. Because the reality is that the federal government can do that on any decision made by
this Commission, any other commission in any state. And
there are many issues that you decide -- that you work on
where that might happen. You are setting a precedent that
you cannot perhaps approve those things. I don't think
that's your intention.

I want to speak quickly to something I've heard
the Lieutenant Governor speak to a lot on the radio, which
is the desire to have all the funds from this project used
for alternative energy. I would suggest that that is
something that your office can bring to the Legislature.
It's something the Governor's office or the Controller's
office or any assembly member or any senate member can do.
It is not something that an environmental group or an oil
company can do.

We would love to see it, but it is not a reason
to not move forward with this. You've had ample
opportunity over the last couple of years to bring that
legislation forward and have not done it.

Finally, we are really, really proud of the fact
that it is political dynamite to approve oil projects.
That's what we've fought for for 40 years and our clients
have fought for 40 years. We have believed all that
time that that was the best interests of the State. We
have now brought before you, before this County, before
the State, before the nation an opportunity to see its
best interests in another way. We ask you to look carefully. Don't do a knee-jerk reaction. Don't look at political expediency. Do what's in the best interests of this state.

Thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

MR. DAVIS: Thank you, Mr. Chair, members of the Commission. I am Dave Davis, the Executive Director of the Community Environmental Council. We are a 39-year-old nonprofit here in Santa Barbara, founded on the anniversary of the Santa Barbara oil spill. Our mission is to make this region net carbon neutral by 2033.

We have analyzed this proposal. And we also are one of those environmental groups in town which has opposed expansion of oil exploration off of our coast, one, for the environmental -- straight environmental reasons but, two, also in terms of the question of greenhouse gases. Analyzing this proposal, we basically have come down on the side of supporting the PXP project. We believe the implementation of this project will move Santa Barbara and California closer to that goal of being carbon net neutral by 2033.

I am also Chairman of the Santa Barbara Metropolitan Transit District. We are one of the agencies which could be partner to this deal in implementing the
transit bus mitigations. I want to state as Chairman of
the MTD that we are ready and willing to implement that
condition if this project goes forward.

And as a citizen of Santa Barbara, I ask you to
be bold in terms of your leadership. Step out there as
outlined by everyone else and approve this project.

Thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

I would like -- because of the confusion in these
documents as to whether you support or don't support, I
would like five of the very quickest to go over there that
are in opposition. And you can introduce yourself. It's
almost impossible to sort out whether you're supporting or
opposing here.

So I'll take five people that are in opposition
to the lease. Stand over here on this side.

We're down to one. I know that you're in support
of the proposal.

And I'd like to take five that are in support.

So you can line up behind Aaron.

And we'll take five that are in support and five
that are opposed.

Introduce yourself. You've got one minute.

Okay. There's more than five. That's fine.

Just stand over there. We'll run through this.
Okay. Divide yourselves up, put space between you. I don't want any fighting.

(Laughter.)

CHAIRPERSON GARAMENDI: Opposed to the left, support to the right. And you're all going to get a turn. I'm going to take five at a time. And I want to start with the opposed, because we just finished five that were in support.

Okay. I'll say it one more time.

Those that are opposed, please stand to the left. Those that are in support stand to the right. Okay?

The microphone's on. Introduce yourself. Take one minute.

MS. FOGEL: Thank you. I'm Judy Fogel.

Governor Jeb Bush prohibited oil drilling within 125 miles of Florida's coast. And it's currently still prohibited. Mike Thompson is working to extend the ban on offshore oil drilling off California's northern coast.

Likewise, our southern California coast is not for sale, and here's why. Scientists have learned that oil is 1,000 times more toxic than they thought 33 years ago. California Fish and Game scientist Julie Yamamoto says it takes one spot of oil the size of a nickel to kill a bird.

In Prince William Sound in 1989, 11 million to 38
1 million gallons of oil were spilled. It killed half a
2 million sea birds, 5,000 sea otters, whales - it gets in
3 their blow holes - seals, and billions of fish. On the
4 fourth day of the spill a storm blew the oil out of Prince
5 William Sound, 1,200 miles from the point of impact,
6 oiling about 3,200 miles of coastline. If this spill were
7 superimposed on the West Coast of the United States, it
8 would have gone from the top of Washington state all the
9 way down to San Diego.
10 
11 And I'll just end to say we have to get off of
12 oil. If we think that we're going to be part of a global
13 community --
14
15 CHAIRPERSON GARAMENDI: Thank you very much.
16 I'm sorry, but there's only one way to do this,
17 and that's one minute at a time. Otherwise, it isn't
18 going to work.
19
20 MS. FOGEL: If we're going to be part of a global
21 community, we've got to act responsibly.
22
23 Thank you.
24
25 CHAIRPERSON GARAMENDI: Thank you.
26
27 ACTING COMMISSIONER SHEEHY: Thank you.
28
29 CHAIRPERSON GARAMENDI: Okay. Anybody else in
30 opposition? Is there any -- I've got four more spaces for
31 opposition.
32
33 Okay. We're going to run through the support
Aaron, you were standing there first. Do you want to demur?

MR. READ: Lieutenant Governor, Controller, Mr. Sheehy. Aaron Read representing PORAC, 62,000 peace officers statewide; also the Cal Fire Firefighters, 6,000 of them affiliated with the California Professional Firefighters, 30,000.

Public safety is taking huge hits all over the state. You heard about Santa Barbara. I can tell you it's from the Oregon border to Mexican border we're having programs cut where officers are losing their jobs. We're furloughing our Cal Fire Firefighters. As of today, they're taking two days off a month without pay. It's a serious budget matter for us.

This is a hundred million dollars right out the gate. A hundred million is very serious money. But even more important than that, two billion to five billion in the future that can securitized.

We urge your support.

MR. CALDWELL: My name is Andy Caldwell. I'm the Executive Director of the Coalition of Labor, Agriculture and Business. In our 18-year history, we've had board members from the United Auto Workers, SEIU, United Food and Commercial Workers, DSA, County Fire, and Building and
Construction Trades. This is one of the first and only
times we've stood hand in hand with the Environmental
Defense Center and some of the other organizations here.
(Laughter.)

MR. CALDWELL: And the reason why is this is
truly a unique project; but more importantly, we're in a
unique time. And we believe that you cannot talk about
the best interests of the State without talking about the
State's burgeoning deficit and cash flow problems.

And, Mr. Chiang, we especially are glad that
you're here. You're the one issuing the IOUs. Well,
we've got $100 million for you so that you would maybe not
have to issue quite as many.

And we believe this project's unique and it
deserves your full support.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. HECKMAN: Good afternoon. My name's Rob

Heckman. I'm the President of the Santa Barbara County

Firefighters.

I'm mostly here today to talk on behalf of the

California Professional Firefighters.

The CPF and the local have studied the issues

surrounding this project and having to express a strong

position that you approve this project.
These past few years have shown how vulnerable areas of Santa Barbara county could be to the threat of wildland fires. In order to protect these areas, which are critical both to local and state economies, it is essential the County have the resources available to fully fund and staff a robust County fire department.

The current fiscal situation for both the State and the County is dire. The revenue afforded by this project will give policymakers enhanced flexibility to avoid budget cuts that would negatively affect public safety professionals.

The PXP has an exemplary record of complying with the County's very stringent health, safety, environmental standards.

It is unusual for our local to weigh in on an emotionally charged topic as this, but we feel it's the right thing to do.

Santa Barbara County Firefighters strongly believe that the State Lands Commission should support such projects that would develop domestic resources of energy in an environmentally sound manner. The revenues provided by this project are clearly in the best interests of the State and the best interests of Santa Barbara County.

Thank you very much.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345
CHAIRPERSON GARAMENDI: Thank you.

SANTA BARBARA CITY COUNCILMEMBER HOUSE: Hello.

My name is Grant House. I'm a City Councilman here in Santa Barbara. I want you to know that the Mayor of Santa Barbara was here earlier. He had to leave. And Helene Schneider, also a City Councilmember, was here and had to leave. They want to be here today to issue their support -- to offer their support for this project, as well as myself.

I want you to know that it's very, very important to our community that we do not miss this opportunity.

This is hard won. This is remarkable. This is absolutely unbelievable that you see this room filled with these people of all these different points of view, that are able to come together to do what's right for the channel, for the ocean, for our community. I just want you to really appreciate how big a deal it is here for us in this area to come here and to support this.

Also, I want you to know Ms. Fisher, who is the Director of our Metropolitan Transit District, was here earlier, and she had to leave. She wanted me to encourage perhaps the staff and the others to work together to ensure that some of those funds for transit are offered to the local jurisdictions, because we have a clean transit program that really deserves support.
Thank you very much. And come back to Santa Barbara often.

CHAIRPERSON GARAMENDI: Thank you.

MS. HOLMES: Hello. I am Jean Holmes, Offshore Oil and Gas Consultant for the League of Women Voters of California. And I'm going to try to really be quick. I'm speaking also for the local leagues of Santa Barbara and Santa Maria Valley.

The League has a long history of involvement in offshore oil issues and has frequently found reason to oppose offshore projects. In this case, however, after weighing the pros and cons, we support approval of the Tranquillon Ridge project. This is because of the precedent-setting conditions of fixed end dates and requirement of zero net greenhouse gas emissions.

We also consider important the removal of the platforms and infrastructure which would facilitate potential slant drilling projects in the future.

CHAIRPERSON GARAMENDI: Thank you.

MS. HOWERTON: Good afternoon. I'm Joyce Howerton. I'm speaking on behalf of the Citizens Planning Association of Santa Barbara County. And we were one of the assigners to this agreement.

For 48 years CPA has worked to protect the unmatched natural assets and resources of Santa Barbara.
County and to promote plan policies.

I'm cutting through a lot of this.

So we believe this proposal is an important step forward and will provide significant long-term benefits to the public and to the environment of the Central Coast.

And I just wanted to say, you know, I've heard a lot of people that are in opposition say that this is a precedent-setting agreement, and I totally agree. For the first time ever, you have two sides, environmentalists and oil company representatives, filling a room, taking a day off of work to come and speak on an issue that we all agree on. You've had Republicans and Democrats and environmentalists and oil workers and elected officials and community people from throughout the Central Coast, who have come in agreement.

So, yes, this is a precedent-setting agreement.

CHAIRPERSON GARAMENDI: Thank you very much.

MS. HOWERTON: And I just wanted to add one thing, a quote, please.

CHAIRPERSON GARAMENDI: I'm sorry. We're going to have to be disciplined here. Thank you very much.

MS. HOWERTON: "Leadership is action, not position".

Thank you.

MS. NASH: Good afternoon, Chairman Garamendi and
Commissioners. My name is Carol Nash and I live in Vandenberg Village, underneath the Lompoc Oil and Gas Plant.

At one point -- I've lived there for 48 years and have been a member of Citizens Planning Association about 45, and served on County commissions, water boards and land-use advisory committees.

I think that this is a very good precedent to set. The oil industry has promised great revenues over the -- the government agencies over the years and stated they are to assure our safety. But then there was the blowout, and we all became very cautious about everything, when the development plans for Torch Pedernales project with the siting of just a separation plan on top of the highest grade, and it was sited in a populated -- very populated area, about 10,000 people then and about 12,000 people now.

CHAIRPERSON GARAMENDI: Thank you very much, ma'am.

MS. FRISK: Commissioners, my name is Carla Frisk and I'm here for two reasons. I'm representing the Santa Inez Valley Alliance. And given the short time, I will just mention that our president couldn't be here. We support the project, because it has county-wide implications, statewide implications letter submitted.
I moved to Santa Barbara 35 years ago, and I've been fighting oil development ever since. I sit on four environmental board of directors. I worked for Senator Jack O'Connell for 20 years, during which time I worked on this bill. And I have a lot of faith in the Legislature. I don't think the Legislature's going to take this bill apart.

I've gone to workshops, public hearings. I've read Environmental Impact Reports. I've done the whole thing. But you know what, in the 35 years I've lived here we've taken out six platforms and we've added 14.

So I sit on the GOO board. I've participated in this. I think our track record is just not there. We need a new solution, and this is it.

So today we begin a journey with an end if this project is approved. If it is not and it's denied, then there is no end; and the price of oil will go up and those platforms will stay out there for a long, long time.

So I really implore you, please support this project today.

CHAIRPERSON GARAMENDI: Thank you.

ACTING COMMISSIONER SHEEHY: I'm sorry. Which organization were you representing? I missed that.

MS. FRISK: Today I was officially representing the Santa Inez Valley Alliance. I'm on the board of
directors of "Get Oil Out!" and the Community Environmental Council as well.

ACTING COMMISSIONER SHEEHY: Thank you.

GUADALUPE MAYOR ALVAREZ: Good afternoon. I'm the Mayor of the city of Guadalupe. My name is Lupe Alvarez. And I'm also here as the SBCAG Chairman. SBCAG is Santa Barbara County Association of Governments. It is comprised of the five board of supervisors along with the eight cities that are in Santa Barbara county. We voted in support of this project, in support of PXP.

There's a major transportation project here in Santa Barbara right now. It affects most of the downtown. I'm sure most of you saw it on your way in. It's a $53 million project. And CalTrans estimates a thousand jobs are created directly and indirectly because of this project. And thanks to the State Controller, that project was continued through the PMIA, Pooled Money Investment Fund. We really appreciate your vote and support of the project. If the State stops future monies, this project will be mothballed, and that cannot happen.

I'm also here as the Mayor of the City of Guadalupe. As far as transit, we need a brand new bus thanks to CARB. We have 6,500 people in our town. And a new bus will cost $450,000. Of those 6,500 people - sounds like very little - the ridership per year is
1 130,000. So you will have greenhouse savings if we could
2 get a new bus. And APCD is supported with a new bus, the
3 1.5 million from PXP.
4 Thank you.
5 CHAIRPERSON GARAMENDI: Thank you, Mayor.
6 MR. HAMILTON: Thank you, Commissioners.
7 My name is Walter Hamilton. I'm Executive
8 Director of Service Employees International Union, SEIU,
9 Local 620, here today representing 3,800 working women and
10 men in Santa Barbara county and San Luis Obispo county.
11 I wanted to make two quick points today. One is,
12 I think I have an unusual perspective in that I think it
13 is very difficult to overstate the severity, the depth and
14 the scope of the economic crisis facing us in the nation,
15 the State of California, as well as here locally on the
16 Central Coast. I spend my days increasingly -- and into
17 the evenings increasingly responding to requests from
18 public employers, cities and districts throughout our two
19 counties, who are telling me that their revenues are
20 falling through the floor. People are not buying cars.
21 Retail is hurt. Sales revenue is down. Transit occupancy
22 taxes are down. They are calling me to say, "We're
23 preparing to lay off the men and women that you represent
24 that are providing the mental health services, the public
25 health services." They're protecting the quality of water
in our community. They're working on the infrastructure
and the public works.

The last thing I will say to wrap up is, I'm one
of those people who actually -- I have the dubious
distinction of having negotiated that two-week unpaid
furlough for 2,000 County employees. But if that was --
the economic development and benefit is obvious. If that
was all there was, I might not be here.

But the other reason I'm here, I'm also one of
those people --

CHAIRPERSON GARAMENDI: I'm sorry.

MR. HAMILTON: -- who've not read the agreement.

But I support the project because sometimes you have to
put your faith --

CHAIRPERSON GARAMENDI: I appreciate it. Thank
you.

MR. HAMILTON: -- in people and organizations
that you believe in, in EDC, CPA --

CHAIRPERSON GARAMENDI: Enough.

Next.

MR. HAMILTON: Thank you.

MR. SMITH: My name's Trevor Smith. I'm the new
Chair for the Los Padres Chapter of Sierra Club. And I've
been delegated to speak for the entire Sierra Club.

And after six months of discussions and heated
debate, we've come to the conclusion that we would support
the PXP proposal as long as the conditions of -- the
conditions were strict and the qualifying issues were
resolved and that the enforceability was proven. I don't
know if we can do all of that, but we would be for it
under those conditions.

Thank you.

ACTING COMMISSIONER SHEEHY: I'm sorry. I want
to know who he's representing. Are you representing the
statewide Sierra Club Chapter?

MR. SMITH: I'm representing the state Sierra
Club. I'm the Chair of my chapter. But I've met with the
state people and they have -- the state Sierra Club have
told --

ACTING COMMISSIONER SHEEHY: And are you in
support or not? Because it sounded like it was sort of
conditional.

MR. SMITH: Well, it is conditional, you know, to
be reasonable, as long as it can be enforced, the terms of
the deal.

CHAIRPERSON GARAMENDI: So you are supporting
this?

MR. SMITH: Conditionally, as long as what
everybody said, which --

ACTING COMMISSIONER SHEEHY: You belong in
Sacramento.

MR. SMITH: It would not be a --
(Laughter.)

CHAIRPERSON GARAMENDI: Thank you very much.

MR. SMITH: Thank you.

CHAIRPERSON GARAMENDI: I think it's clear to us where you're coming from. Thank you.

MR. STUBBLEFIELD: Commissioner Garamendi, Mr. Chiang, Mr. Sheehy, good afternoon. My name is Mike Stubblefield. I'm the outgoing Chair of the Los Padres Chapter of the Sierra Club, which spans all of Santa Barbara and Ventura counties, includes over 7,000 people.

First of all, I'd just like to say as an expatriate, a long-time expatriate hill country Texan, I'm really proud that a Texas company is participating in this groundbreaking historic paradigm shift in how we deal with oil companies in getting rid of drilling platforms off the coast.

I don't really have anything to add. But I did learn something today. Where I come from in the hill country in Texas, LBJ and all of his neighbors pronounced Pedernales, Perdenalis. So I've never seen it pronounced correctly before.

But the Sierra Club, the Los Padres Chapter, would encourage you to support this historic agreement. I
I think this is a paradigm shift. I think we need to get out of the box a little bit here. We've got a chance. We can go forward. This is a way to go forward and deal with the oil companies in an entirely different way. And there's -- I don't have to go through the benefits.

CHAIRPERSON GARAMENDI: Thank you very much.

MR. STUBBLEFIELD: Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. CHILDRESS: Lieutenant Governor, Commissioners. I'm Jim Childress. I'm Chair of the Santa Barbara group of the Sierra Club, representing about 2,600 members. And we strongly support the measure before you.

I'm also a professor of marine biology at UCSB. And I reported for work the first time on January 1st, 1969. I soon got a lesson in what oil development does. And I encourage you to consider this very seriously as a way to move towards getting rid of oil.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. CONNOR: It's more Sierra Club. I'm Jerry Connor. I'm the Chairman of the Arguello Group and have been for years, which is in the very territory we speak of. It's all of northern Santa Barbara county north of Gaviota, with its center of gravity essentially at Lompoc. Our membership at the grass roots level strongly
supports the PXP agreement. We have few doubts, we are
confident it can probably be enforced as needed.

I have great familiarity with the land that is to
be conveyed. As a hiker, I've hiked all around it. I
won't admit to trespassing.

(Laughter.)

MR. CONNOR: I've also hiked all over Vandenberg
Air Force Base, having retired as one of the planning
engineers there after 20 years of service. And I've
looked upon these oil facilities from the base many times
and thought how nice it would be if it was just ocean out
there.

So, with that, I again emphasize we'd like to see
you approve. And I wish you well.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. PÉREZ: Mr. Chairman. My name is Roy Pérez,
the California Hispanic Chamber of Commerce.

Just a few minutes ago the State Commander,
Willie Galvan, who represents the American GI Forum, which
represents the veterans and their families, have had to
leave. However, he wanted me to share with you that they
urgently ask that you support this project, mainly
because -- he had to leave just a few minutes ago to
welcome home some men and women that are coming home from
overseas -- but to make it clear that, in fact, that we have a State that's going bankrupt, that, in fact, that we have high unemployment and it's rising. And his fear is that's what the men and women are coming home to.

Secondly, with the California Hispanic Chamber of Commerce watching the coalition that put this -- that negotiated this and work on the agreement and then the project, we have full confidence that they worked on behalf of the state. So the California Hispanic Chamber of Commerce also endorses what they did. And we also ask the Commissioners and Mr. Chairman to please approve the project.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MS. BENSEN: Good afternoon. My name is Vera Bensen. I'm President of the Carpinteria Valley Association. Their founder was also the founder of GOO. And I was in Carpinteria 40 years ago. We've been waiting 40 years to get rid of oil. I don't want to wait another 40 years, because obviously I won't be around.

So, I'm chucking my speech and saying I'm in favor of getting -- okaying the PXP-EDC agreement.

I would like to mention that one of our citizens wrote this book. He was a correspondent for the news.
press when the spill happened. His name is Robert Sollen.
He calls it An Ocean of Oil. And he mentions underneath the title, "A Century of Political Struggle Over Petroleum for California."

CHAIRPERSON GARAMENDI: Thank you.

MS. BENSON: So I just thought you ought to read this.

CHAIRPERSON GARAMENDI: Thank you.

MR. GEVIRTZ: Good afternoon. Thank you for being here. My name is Elihu Gevirtz. I'm a biologist and I've spent much of the last 16 years working on the Burton Mesa Ecological Reserve, which is just -- the adjacent property just on the south side of the 3,700 acres in the Purisima Hills that are being offered to you. I worked with the Lands Commission, the former Director Bob Hight and his staff, and the current Department of Fish and Game to craft management plans both in the nineties and in this decade. And both management plans that have -- this one's been adopted by the State -- supports acquisition of lands that are adjacent to the reserve.

So this 3,700 acres would be that. And the reasons are is that it helps to support the biological diversity of that ecological reserve. There are many, many species and many different kinds of habitats. And
it's definitely in the public interest for that land
acquisition to be accomplished.

CHAIRPERSON GARAMENDI: Thank you.

MS. BROOKS: Good afternoon. My name is Mary
Ellen Brooks. And I'm speaking because I live one -- less
than one mile from the Lompoc Oil and Gas Plant. So I'm
speaking as one of California's closest residents to the
facility.

When that plant was built in the early to mid
eighties, the community was promised that plant would be a
separation plant only and it would be shut down in 2000.
Several years later another company came in, bought it.
They were allowed by the government agencies to expand
their work, and that facility is still here.

Now, with this proposal, my neighbors, PXP, we
have the chance of getting rid of this poorly sited plant,
which is very close to our community. The second benefit
will be the proposed land donation. The previous speaker
spoke about the Burton Mesa Chaparral, which will be
added. And we hope to get a better management plan
because of that. And we hope to have an education center
sometime with the prep funds.

And thank you very much.

CHAIRPERSON GARAMENDI: Thank you.

MS. URIBE: Good afternoon. My name is Olivia
Uribe. I'm Associate Director of SBCAN, Santa Barbara County Action Network. We strongly support the Tranquillon Ridge project.

You already have heard the many environmental benefits, so I will not repeat them. You already have that to take into account.

It is important to note that when the State is near bankruptcy and deferring payments on most of its obligations, it's difficult to ignore the potential $5 billion revenue for the State.

The only precedence, as has been stated, of this agreement is all of us standing in unison in the same room.

CHAIRPERSON GARAMENDI: Excuse me. I'm going to give you another 30 seconds.

But if those people in the back of the room that would like to have a conversation would please take it outside, it would be to everybody's benefit.

Please continue.

MS. URIBE: Sure.

This agreement complements the potential reinstatement of federal ban on offshore oil leases off our coast by sending a mandate to current operations and prohibiting the development on new leases.

And, lastly, it is a time when our nation has
come together in the spirit of cooperation and
responsibility. And if California wants an opportunity
and to promote that leadership, it is a good project to
support. We urge you to support it.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MS. FANCHER: Hello. My name is Christine
Fancher, and I'm here representing myself.

I support the EDC agreement. And basically this
is not adding platforms. It is eliminating them.

Please move forward today.

Couldn't hear anything?

CHAIRPERSON GARAMENDI: No, I got it all.

MS. FANCHER: Thank you.

CHAIRPERSON GARAMENDI: Thank you very much.

MR. GIBBONS: Chair Garamendi, Commissioners. My
name is Tom Gibbons. I'm an oil field worker. Probably
kind of a novel thing in this room.

(Laughter.)

MR. GIBBONS: I came down here today to give you
my two cents worth. Today's my 40th anniversary of going
to work offshore. And you probably know what project I
worked on.

I support the project. It's a logical
progression to cessation of events in the area.
You need to get the oil out. You need to collect my tax money, my royalties. That's what you're supposed to be doing. This is the highest and best use of this State land. I want to see you do this. Let's have an "up" vote today.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. ALLEN: I'm Bruce Allen, co-founder of SOS California. And I'd like to raise an issue that you haven't heard yet today.

We're a nonprofit dedicated to educating the public about how oil and gas production has actually reduced the true primary source of hydrocarbon pollution along the central California coast, the natural oil and gas seeps.

We're dedicated to educating the public that our coastal oil and gas resources conserves a bridge to funding renewable energy. There are about 200 barrels of oil per day, or about three million gallons of oil per year, that have polluted our coastline due to natural seeps, half of that along the coast from Point Conception to north of Point Sal. These seeps kill thousands of birds per year.

It's our position that these resources at T-Ridge can be extracted safely through extended reach drilling;
and would like to note that in 40 years there have only
been 875 barrels of oil spilled along our coast, compared
to two million barrels from the seeps.

I would like to note also that the 1997 spill at
Platform Irene, in an MMS 2001 summary, stated that the
spill responders and biologists found that the oil
coastline spill was difficult to determine if it was the
source of Platform Irene or the natural seeps.

CHAIRPERSON GARAMENDI: Thank you very much, sir.

MR. BECKER: Good afternoon. Tom Becker
representing Asset Equipment Sales.

And we support this project, because we would
like to do business with the oil and gas industry. This
will help us get some business. State needs the money.
We're in a crisis. We need the money.

With that being said and my support for this
project, I am concerned that some of the things that PXP
and EDC are saying are really not true. Folks, those
platforms are not going to go away. You cannot get rid of
those platforms, because they're under federal leases. I
talked to County staff on this issue for hours. Condition
A6 was the original condition in the County report to get
rid of those. County staff took them out when they
acknowledged that they could not get the federal
government to agree to ending those leases.
So, folks, let's be honest. We need the money.

And, folks, if any of you don't want to support this project, I think you should be the ones handing out the pink slips to the employees of the State who will lose their jobs.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. LARSON: I'm Tim Larson, a member of the community. I want to bring up a topic.

I realize in the 1925 earthquake thousands and thousands, possibly millions of barrels were spilled. There's no record. I've researched.

But we are sitting on an under-pressure reserve. And I think it's wise to get any of that out. Our natural seeps, I do believe, are a real concern. And anything that we could do to get some of that out of there I think would be really great.

And I also am concerned -- I know that at some point, I don't know when, but at some point we may have another earthquake. And if we're still sitting on that pressurized reserve, it could make San Barbara just really -- we have a beautiful setting now. It could really just absolutely wreak havoc all the way down the coast and ruin more industries than we can imagine.

Tourism -- I don't believe anybody would want to come to a
beach that is absolutely soiled with oil. And so I'm hoping to depressurize the reserves any way we can.

Thank you.

CHAIRPERSON GARAMENDI: Thank you very much.

MR. MILLS: Lieutenant Governor, members of the Commission. My name is Andy Mills with Hollister Ranch, a 15,000 acre cattle ranch and small residential community just south of Point Conception and immediately adjacent to Gaviota State Park.

Our local state economy and -- our local and state economy desperately needs the funds that this project would provide. Our County fire department in particular will likely lose our local fire station in a very short number of years.

At the same time, because of diminishing State bond funding for conservation, our county has suffered missed opportunities for land protection we simply can't afford. It is rare that a project comes along that meets both the economic and conservation needs of the community. Santa Barbara cannot afford to lose this opportunity. And I hope that you will vote in favor of the PXP-EDC deal.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. LUNSFORD: Mr. Lieutenant Governor and
members of the Commission. My name is Mike Lunsford. I'm the President of the Gaviota Coast Conservancy. We are the primary advocacy group for the protection of the Gaviota Coast on which this project sits. We seek permanent protection for these significant resources, both natural and cultural.

We define the Gaviota Coast as from Coal Oil Point near the university in Goleta to Point Arguello, and then the remainder of the Vandenberg Air Force Base coastline.

Santa Barbara county's 110 miles of coastline has taken the brunt of offshore oil exploration and development and production in California. The brunt. Most of the battles have occurred here. The most knowledgeable, experienced, and effective opponents are here. That's why this situation is so different.

We believe that on balance this project will help further the preservation of the Gaviota Coast. We support this project based on our understanding of the enforceability --

CHAIRPERSON GARAMENDI: Thank you very much, sir.

MR. LUNSFORD: Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MS. LEJEUNE: Chairman Garamendi and members of the Commission, my name is Sandy Lejeune. I'm the Chapter
Chair of the Santa Barbara Surfrider Foundation. And we are here in support of the agreement, counterintuitive though it first appeared to us.

Our chapter, since its inception in 1992, has been working on preservation issues on the Gaviota Coast. We would never have put our name as a signer and supporter of this agreement if we did not believe that it would reduce the risk of new oil spills and that its end date was not enforceable.

So we urge you, as a signer and a supporter of this issue, to approve the PXP agreement.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. TRAUTWEIN: Mr. Chair and Commissioners. My name is Brian Trautwein, and I've lived in Santa Barbara my whole life. I've lived through the 1969 oil spill and other oil spills since then. I've dedicated my whole adult life to protecting and restoring our precious environment. I founded an environmental group that's still active in Santa Barbara back in 1989.

I'm here taking time off work to strongly support this unique precedent-setting agreement that brings various parties together. It's a good agreement. It's good for Santa Barbara, but it's good for the State of California. It's good for our environment and it's good
for our economy. And that's why I'm here today.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. GAUTHIER: Hello, room. My name's John Gauthier. I'm just a local surfer and beach goer.

I'm concerned mainly about two things: The economy in California and helping Santa Barbara solve its pollution issues in regards to oil seepage.

A lot of times at the beach I see seepage on the beach in contact with wildlife and as well as myself. It gets on my wetsuit and I come in direct contact with it on my skin.

I'm in favor of any efforts to extract oil from wherever it's coming from and however it's getting to shore. You know, I'm in support of this issue if it's going to mitigate that seepage.

Thank you.

CHAIRPERSON GARAMENDI: Thank you.

MR. FOSTER: Hi. My name's Dan Foster. I'm a local commercial diver. I work from the surface down on all the oil rigs out here.

And I just want to say that I'm in full support of this measure. If this measure can reduce the danger and the dependence we have on foreign oil, I think it would be a great thing for the state and also the country.
You know, accidents like this -- like spilling of oil from ships have been happening for years. And it would be great and safe for us to have a decrease of dependence on foreign oil.

Thanks.

CHAIRPERSON GARAMENDI: Thank you very much.

(Thereupon an overhead presentation was presented as follows.)

MR. ANTHONY: Lieutenant Governor and members of the Commission. I'm Doug Anthony, Santa Barbara County Energy Division Deputy Director. I'm here with some information that you had requested. Commissioner Sheehy wanted a breakdown on the ad valorem tax. We have that.

ACTING COMMISSIONER SHEEHY: Thank you so much for following up on that.

MR. ANTHONY: If you can see the slide before you, this gives you a quick breakdown of what it is from this particular property. You can see it in front of you.

It does include the Educational Revenue Augmentation Fund.

I do have some other slides. I don't know if you want to see them. They --

ACTING COMMISSIONER SHEEHY: Is it accurate that the biggest beneficiary here is the school district?

MR. ANTHONY: These are accurate. We believe
they're accurate because they reflect in the adjacent --

ACTING COMMISSIONER SHEEHY: So the schools get
most of the money of the ad valorem tax; is that right?

MR. ANTHONY: That's correct.

ACTING COMMISSIONER SHEEHY: Yeah, I think that's
important to note for the record.

MR. ANTHONY: If you note, for the last four
lines there, that that's for the schools.

If you're interested in seeing additional slides,
it just gives you some dollar sense to that based on
different estimates. But if --

CHAIRPERSON GARAMENDI: Excuse me. A question.

When would this money be available?

MR. ANTHONY: This is over the life of the
project. This is the distribution of the percentage of --
our property tax earnings, whatever those end up being,
this is the percentage of the allocation to the different entities.

CHAIRPERSON GARAMENDI: And this is a result of
the increased valuation of the reserve?

MR. ANTHONY: Right.

CHAIRPERSON GARAMENDI: And when would you do the
evaluation?

MR. ANTHONY: I believe shortly after project
approval.
CHAIRPERSON GARAMENDI: Thank you.

MR. ANTHONY: I'm also here -- and I can answer questions if you want clarification on risk. I will note, our Condition A6, as far as end date, does have an end date of December 31st, 2022, for the Tranquillon Ridge project. Make that clear.

Is there anything else I can make clear for you on risk questions?

ACTING COMMISSIONER SHEEHY: If I could just get -- I mean, when we're done with this hearing, if I could just get under separate cover a copy of that, that would be great.

Thank you so much, sir.

MR. ANTHONY: Certainly.

And I would like to note for the record that as far as our experience goes, Plains is a fairly top level operator. So we are happy to support the project.

CHAIRPERSON GARAMENDI: Thank you.

The slides are now being made available to us.

Ma'am, if you'd go ahead with your testimony. I believe you're the last one. So wrap it up for us.

MS. RUBIN: Okay. My name is Selma Rubin. I've lived in Santa Barbara since 1964. Lived through the oil spill. And as a result of that, we started some organizations. The Community Environmental Council was

I have been on 42 boards in Santa Barbara, and I'm speaking for the Santa Barbara County League of Conservation Voters, and we ask for your approval.

Thank you.

CHAIRPERSON GARAMENDI: Thank you very much.

(Applause.)

CHAIRPERSON GARAMENDI: Thank you.

Paul, if you could bring the issue before the Board.

ACTING COMMISSIONER SHEEHY: I'm sorry. There's just one more thing, Mr. Chairman, before we go to a vote.

There's just one thing that we haven't actually covered yet, and I thought -- and we've been skirting around it a little bit. There's been -- the staff report on the financial benefits I thought did the obligatory minimum. It talked about the $100 million being one-quarter of one percent. But it completely omitted any mention of the ad valorem taxes. So I'm particularly grateful for the County coming forward and letting us know about the ad valorem taxes that would support local government in Santa Barbara.

But depending upon the price of oil, whether it's $50, $75, or $100, the benefit to the State General Fund...
through the budget year, budget year plus one, would be from a low of $262 million - that's a $50 oil - to a high of $567 million. That's at a hundred dollar oil. These are based upon figures that were given to me by PXP in terms of the number of oils produced -- barrels of oil produced. And then those same figures were provided to the State Lands Commission staff to verify that they were reasonable estimates. And they, in fact, were.


ACTING COMMISSIONER SHEEHY: Right. Thank you, Lieutenant Governor.

So in other words, the budget year starts July 1st of 2009. So budget year plus one would be July 1st of 2010.

And so the deficit that we have at the State level is not a one-year problem. It's a multi-year problem. In fact, if all $40 billion of the Governor's proposed solutions to balance the budget were adopted in budget year plus one, we face another 10 or $11 billion deficit, according to the nonpartisan legislative analyst. So we're all very concerned about the State's finances. But I wanted to put into particular focus what this project would mean. If we just picked the middle
point -- well, let's just pick the low point of $50 oil --
we could get 262 million.

CHAIRPERSON GARAMENDI: Beginning when?

ACTING COMMISSIONER SHEEHY: That would be
beginning July 1st of this year.

With the $262 million:

We could buy out $146 million in cuts to the
State's court system, thereby reducing clogging of our
courts.

We could buy out public safety grants -- public
safety grant funding of 57.4 million. This is money that
goes for crime prevention all over the state. It goes to
the police chiefs and the sheriffs and especially in local
areas.

We could -- you heard earlier about transit here
in Santa Barbara. Unfortunately, Governor
Schwarzenegger's had to propose eliminating all State
support for transit grants in the State of California
because we just can't afford it anymore. We could buy
that cutout if we chose to if this project were to go
forward.

We proposed making major reductions to the
California Conservation Corps, totaling $17 million. We
could easily buy that out.

We've proposed eliminating the First 5 funding
that comes from the tobacco tax. We could buy that out.

We have also had to propose eliminating various optional benefits in Medi-Cal, benefits that people in the state have been utilizing for many years. And we couldn't buy out all those cuts, but we could buy out about half of them if we used all this money to do that.

Unfortunately, we've had to propose reductions in the Department of Developmental Services where people that have things like autism come for State aid through the Lanterman entitlement. Again, we couldn't buy all of that out, but we could buy out two-thirds of those cuts if we chose to.

We have also had to propose $226.7 million in General Fund reductions to managed care and mental health programs. These are Prop 63 funds that come from a surcharge on very wealthy people. We could buy that cutout if we chose to.

We've had to propose $79.1 million in reductions to CalWORKs COLAs, people -- and the most vulnerable in our state that are on welfare, we could buy that out.

CHAIRPERSON GARAMENDI: Tom, excuse me for a moment.

ACTING COMMISSIONER SHEEHY: Yes, sir.

CHAIRPERSON GARAMENDI: We know that we have a very serious budget problem. There are many, many
solutions to them. It's absolutely clear that for the
year 2009-10, other than the $100 million advanced fee,
there is almost guaranteed certainty that oil will not
flow from this project. They have to drill --

ACTING COMMISSIONER SHEEHY: Well, actually,

Mr. --

CHAIRPERSON GARAMENDI: -- they have to drill.

They've got to get --

ACTING COMMISSIONER SHEEHY: Mr. Chairman,

according to our own staff of the State Lands Commission,
we actually will start getting oil in the '9-'10 fiscal
year.

CHAIRPERSON GARAMENDI: Okay.

ACTING COMMISSIONER SHEEHY: And the estimate --
let me get it on the record. We get the $100 million
fronted by PXP, if this project were to be approved. And
in the addition -- and this is at $50 oil -- we would get
$59 million in revenue in '9-'10. So through the end of
the budget year, that's actually $162 million. And then
an additional 100 million the year after.

CHAIRPERSON GARAMENDI: Then it doesn't come
close to the buyouts that you discuss, because you were
talking about --

ACTING COMMISSIONER SHEEHY: No, any one of those
cuts I said could be bought out. We could pick one of
them. If we wanted to eliminate -- the elimination of
State assistance for transit grants, we could do that.

And finally, I'd like to say, because I can see
I'm wearing out your patience - and I do apologize --

(Laughter.)

ACTING COMMISSIONER SHEEHY: -- for that,

Lieutenant Governor.

But with our State's cash crisis and our
inability now, as we understand from our Controller, to
make payments on tax refunds, payments to vendors in the
state, payments to the counties that are providing social
services, and a whole list of other payments that the
Controller says we may not be able to make because of the
lack of a budget solution severe crisis in the state, I
think it would be -- I think we cannot turn a blind eye --
we've heard all day long about the environmental benefits,
but I don't think we can turn a blind eye to the financial
benefits, what this would do for the State's cash flow.

And this is a source of new revenue to the State that does
not require a two-thirds vote tax increase, which we don't
seem to be able to get out of the politicians in
Sacramento. And so --

CHAIRPERSON GARAMENDI: Well, the politicians in
Sacramento includes the Governor.

ACTING COMMISSIONER SHEEHY: And so based upon

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all of that, I'm prepared to make a motion.

CHAIRPERSON GARAMENDI: I would like Paul to
present to this Commission the issue, not the argument,
but the -- exactly what it is that we're voting on. We're
voting on a...

EXECUTIVE OFFICER THAYER: The Commission is
considering today whether or not to grant two leases to
PXP for development of the oil underlying Tranquillon
Ridge.

Contained within the staff report are two sets of
findings. The one that's directly part of the staff
report is a recommendation for denial. And, again, as we
did with the Chevron recommendation earlier, it's the
staff's recommendation that the Commission move per the
findings that are contained within the body of the staff
report.

In Appendix G we also have findings that support
an approval of the lease. And if the Commission's will is
to approve the lease, we recommend that they use that form
there.

CHAIRPERSON GARAMENDI: Thank you.

Now, Tom.

ACTING COMMISSIONER SHEEHY: On that basis, I
would move to approve leases for the Tranquillon Ridge
project in accordance with the State Lands Commission

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findings in Exhibit G of the staff report, with the
greenhouse mitigation, in accordance with the revised
Exhibit G-4 as modified by State Lands Commission staff
and PXP today.

I would further move that the best interests of
the State are served by the environmental and financial
benefits of the project.

And I would further find that this action is
consistent with the State Lands Commission's opposition to
further oil and gas leasing in California.

That is my motion.

CHAIRPERSON GARAMENDI: Thank you.
The motion is before us.

John, do you have comments?

I do.

I respect the fact that the many environmental
groups and individuals believe this lease would be good
for the environment. I hope that they would be right.
However, in the final analysis, it's my personal
determination that approving the current PXP application
for oil drilling in the Tranquillon Ridge field is not in
the best interests of the State.

The main benefit of this agreement would have
been to end all drilling from these three platforms by
2022. We've heard today much discussion about this.
We've heard the staff analysis. We've also heard from MMS. I am not convinced that the main benefit of this bargain is achievable or enforceable.

In addition to that, this issue goes far beyond the Santa Barbara coast. I recognize the extraordinary work done by the environmental community, particularly by Linda and her organization. But the impact of this is to the entire California coast. It is precedent setting. It would be the first time in 40 years that the State Lands Commission and the people of California, in whose trust this land has been placed, has issued a new drilling lease for oil production in the State lands off the California coast. That is a message that will be heard across America.

And those who called for "Drill, Baby, Drill" will hear this message very, very clearly. And they will use this as an argument in Congress and with the President to not reinstate the moratoriums that have expired, both the Presidential moratorium as well as the Congressional moratorium. I do not want to go there.

The biggest environmental issue facing the State of California is climate change. While this project is purported to be carbon neutral, it's absolutely clear that the use of oil in the State of California is not carbon neutral. In fact, it is a major -- it is the single
biggest element in the production of carbon emissions. And California is one of the top 12 emitters of carbon into the atmosphere.

If we are to carry out the stated goal of the State of California to reduce emissions, then we have to move away from oil. It's going to be expensive to do that. And my view is every nickel, every penny, dollar, hundreds of millions of dollars or billions of dollars that come from this project must be invested in green technologies and building a green energy system for the State of California.

I've said it before in open meetings. I will not vote for this project until and unless the revenues from this project are committed to solving the single biggest environmental problem that the state faces. I appreciate the immediacy. And I also appreciate Genesis, where Esau sold his birthright for an immediate meal. I am not about to sell the California birthright of the most fabulous coast anywhere in this world for an immediate meal.

I know it's tough times. But, Tom, I'm telling you, the Governor, the State of California can address those tough times by moving quickly to raise the necessary revenue from a $2 trillion economy that exists in California and not, not put at risk the entire California coast.
Now, we have a vote before us.

Call the roll.

ACTING COMMISSIONER SHEEHY: Well, sorry. I need a courtesy second on my motion.

CHAIRPERSON GARAMENDI: We have the vote before us. You spoke, Tom.

ACTING COMMISSIONER SHEEHY: Do I need a courtesy second, staff?

DEPUTY ATTORNEY GENERAL HAGER: Yes, you need a second.

ACTING COMMISSIONER SHEEHY: So I would appreciate a courtesy second.

DEPUTY ATTORNEY GENERAL RUSCONI: Or the motion just dies. And then we will need to have a vote on the alternate --

CHAIRPERSON GARAMENDI: You have a courtesy second. I have a courtesy second.

ACTING COMMISSIONER SHEEHY: Thank you, Lieutenant Governor.

CHAIRPERSON GARAMENDI: Tom?

ACTING COMMISSIONER SHEEHY: I vote aye on my motion.

CHAIRPERSON GARAMENDI: John?

COMMISSIONER CHIANG: No.

CHAIRPERSON GARAMENDI: Chair?
No.
The lease is rejected.

(Applause.)

EXECUTIVE OFFICER THAYER: Mr. Chair?

COMMISSIONER CHIANG: I move staff recommendation.

CHAIRPERSON GARAMENDI: We have a motion to move the staff's recommendation.

That's a second.

There are two aye votes on the staff recommendation.

ACTING COMMISSIONER SHEEHY: I vote no on the staff recommendation.

CHAIRPERSON GARAMENDI: Very good.

Does that complete this issue?

EXECUTIVE OFFICER THAYER: Yes, it does.

CHAIRPERSON GARAMENDI: Other issues before the Commission?

Would you please exit quietly. I believe we have a couple of other issues.

EXECUTIVE OFFICER THAYER: My understanding is that -- well, there's two other issues on the calendar. One of them is a renewal of the lease for the pipeline that serves Platform Irene.

Do you want to take a short break while we let

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CHAIRPERSON GARAMENDI: No, I want to move forward.

Are you good enough? Because we're going to finish in five minutes.

EXECUTIVE OFFICER THAYER: My understanding is that PXP would like --

CHAIRPERSON GARAMENDI: Okay, folks. Please leave quietly.

We have an issue before us, which is the renewal of the existing pipeline lease for Irene.

COMMISSIONER CHIANG: Move staff recommendation.

EXECUTIVE OFFICER THAYER: At PXP’s request, we're pulling Item 40, which is a renewal of --

CHAIRPERSON GARAMENDI: Okay. Very Good. We've pulled Item 40, the renewal, from the file.

EXECUTIVE OFFICER THAYER: Right.

The last remaining open session item is 41.

Mario will present this.

This has to do with a legislative program and the need to secure the Commission's concurrence.

CHAIRPERSON GARAMENDI: Have the Commissioners been briefed on the legislative program?

ACTING COMMISSIONER SHEEHY: I haven't.

CHAIRPERSON GARAMENDI: Mario.
ACTING COMMISSIONER SHEEHY: And Mario De Bernardo, who is our legislative liaison, will present this item.

LEGISLATIVE LIAISON De BERNARDO: Is there any way we could get the PowerPoint up? This is going to be a quick -- thank you.

(Thereupon an overhead presentation was Presented as follows.)

LEGISLATIVE LIAISON De BERNARDO: Good afternoon, Mr. Chair and Commissioners. My name is Mario De Bernardo. I'm the Legislative Liaison for the State Lands Commission. And I'm presenting to you today a 2009 legislative report.

--00o--

LEGISLATIVE LIAISON De BERNARDO: The report briefly is going to go over, very briefly, 2007-2008 legislation.

CHAIRPERSON GARAMENDI: Excuse me. Inform us about the coming year legislation. We can read about last year.

LEGISLATIVE LIAISON De BERNARDO: Okay. That's all I was going to do is refer you to the report.

CHAIRPERSON GARAMENDI: Thank you.

LEGISLATIVE LIAISON De BERNARDO: 2009 proposals, we have five categories, seven bill proposals total.

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The first category is vessel and snag removal; second, mineral leases; third, invasive species; four, land patents; and the fifth is the Port of San Diego legislation.

You can look at the legislative summary.

LEGISLATIVE LIAISON De BERNARDO: Okay. This Commission has brought up the issue of vessel and snag -- or hazards to navigation in the State's waterways. Staff proposes a two-bill approach this session to begin addressing this problem.

LEGISLATIVE LIAISON De BERNARDO: The first approach involves administrative authority. It involves giving the Commission the administrative authority to dispose, sell, and remove abandoned vessels, trespassing vessels, trespassing ground tackle. We believe that -- first of all, this is authority that the Commission already has. They have to go through court, litigation to do it though. And we believe by doing this through an administrative process, we'll save money and time, because no litigation will be required.

The proposal protects the boat owner's due process rights by providing a notice and hearing requirement.
LEGISLATIVE LIAISON De BERNARDO: And the bill recommends sponsorship. And depending on what you'd like to do, Mr. Chairman, you guys can vote on this on the staff's recommendation as I present them or at the end as a whole.

CHAIRPERSON GARAMENDI: Tom.

ACTING COMMISSIONER SHEEHY: Yes, sir.

CHAIRPERSON GARAMENDI: How would you like to proceed?

ACTING COMMISSIONER SHEEHY: Whatever's the quickest way to get out of here.

(Laughter.)

LEGISLATIVE LIAISON De BERNARDO: Can I suggest, since --

CHAIRPERSON GARAMENDI: Well, let's put it this way: John has been briefed, I've been briefed. And I am in support of the proposals. And --

COMMISSIONER CHIANG: I'll second.

CHAIRPERSON GARAMENDI: We have a motion and a second for the proposals.

The public has the opportunity, since this will be available, these slides, to take a look at it.

Tom, if you'd like to vote, you can. But there are sufficient votes to move this administrative package.
ACTING COMMISSIONER SHEEHY: Oh, thank you, Mr. Lieutenant Governor.

And I apologize to staff. I realize now that Mario had briefed me on some of this. I was so delirious after six hours of Tranquillon Ridge to struggle on, it had slipped my mind for a minute. So I'm prepared to vote on your motion, Mr. Lieutenant Governor.

LEGISLATIVE LIAISON De BERNARDO: One point I'd like to make is, that I believe you guys are okay with most of the stuff that I've presented, except for Mr. Sheehy has suggested or has hinted towards the abstaining from supporting the Port of San Diego legislation, which is the post-Prop B legislation. So if you're going to vote on this as a whole --

ACTING COMMISSIONER SHEEHY: Well, just separate the question then. Separate the question and I'll just abstain. I wasn't going to vote "no" on it. I just wanted to abstain.

Separate the question.

CHAIRPERSON GARAMENDI: Okay. We have two votes -- we have two motions before us. The first motion is on the package absent the San Diego.

COMMISSIONER CHIANG: So moved.

ACTING COMMISSIONER SHEEHY: I'll second.

CHAIRPERSON GARAMENDI: We have a motion and
second; and we have three positive votes.

The second motion is on the San Diego proposal.

COMMISSIONER CHIANG: So moved.

CHAIRPERSON GARAMENDI: We have a motion.

ACTING COMMISSIONER SHEEHY: I'll give a courtesy second.

CHAIRPERSON GARAMENDI: I'll take care of that.

I'll do the courtesy second -- do the second.

And Tom abstains; and John and I vote positive.

LEGISLATIVE LIAISON De BERNARDO: Thank you.

EXECUTIVE OFFICER THAYER: That concludes --

LEGISLATIVE LIAISON De BERNARDO: I'd like to also recognize that there are members of the port staff --

Port of San Diego staff that stayed through all of this and --

(Applause.)

CHAIRPERSON GARAMENDI: The meeting is adjourned.

(Thereupon the State Lands Commission meeting adjourned at 5:39 p.m.)

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CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of February, 2009.

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